

State Transportation Board Retreat Minutes
10:00 a.m., Thursday, February 14, 2008
ADOT Human Resource Development Center (HRDC)
Grand Canyon 2 & 3 Conference Rooms
1130 N. 22nd Ave.
Phoenix, AZ 85009

The State Transportation Board met in official session for a Board Retreat at 10:20 A.M., Thursday, February 14, 2008, with Chairman Si Schorr presiding. Members of the board present included: Si Schorr, Delbert Householder, Felipe Zubia, Bob Montoya, Joe Lane, Bobbie Lundstrom, and Victor Flores (unconfirmed appointee).

WELCOME AND INTRODUCTIONS – Chairman Schorr

The purpose of this meeting today is something that the Board has talked about for the last year or so, and that is to allow the board to have an informal round-table discussion of issues that we don't normally get a chance to discuss during the course of regular meetings or study sessions. The purpose of the meeting is to communicate and to tell each other what we think is going on and also to get public input.

COMMUNICATIONS ISSUES – Chairman Schorr

The very first item that I want to discuss is the framework of communications. Some members of the board are quite aware of this, others may not be. The new members of the board especially may not be aware of it, but last year, we adopted formal rules and regulations pursuant to the requirements and the statutes. If you do want to communicate, I suggest that everybody read, and reread the rules of the Board. They do talk about the meetings. They do talk about the conduct of meetings. They describe the powers and duties of the board, the agendas, the duties of the various officers, forums, and most importantly perhaps on a functional, everyday basis, they describe how Board members may communicate. The Arizona law has evolved over the past 10 – 15 years to accommodate the electronic changes in our society. Today, of course, so many communications are done electronically. If you aren't careful about it, you could easily run afoul of the Open Meeting's laws and other statutory requirements. The Attorney General has opined on this subject and some of their rulings. The segment we have on communications is lifted almost verbatim from a fairly recent Attorney General ruling. I suggest that everybody read this, reread it, and follow it. The purpose of understanding it is, that there is a lot of things that all of us can do to communicate with one another without running afoul of the law. So I think if you read it, you will have a fairly good understanding of it. If there are not any questions by the Board on any of these communications matters, let's open the table for discussion on that subject.

The next subsection under communications is: Communications between the board, the staff, and the director. If anyone has any questions with respect to that, feel free to step up. If there are no comments on that, we will move forward.

As Board members, you should have no hesitancy in talking to the staff, in talking to the director. I for one do not feel that you have to go to the Chair. If you have a question of something that is a matter of concern, I think Board members should feel free to go directly to

Victor or any member of the staff and ask those questions. I don't know necessarily what the practice has been up to now. I know I for one have felt free to communicate directly to the staff and they have been forthcoming in their responses and information requests.

Felipe Zubia: I agree with that to an extent, but I do think that for little things yes, but anything that is going to require a substantial amount of staff and research, then the Chair needs to either be copied on any request or informed about it, so if there is an issue the Chair can bring it up. If Victor has an issue with it he can discuss it with Judy and bring that back to the Board meeting. So there are certain times I think where the Chair needs to be informed and involved on that, especially with agenda items.

Chairman Schorr: Thank you Felipe. Any other comments on what Felipe just had to say? Joe?

Joe Acosta: I am Joe Acosta Attorney for the Board. I want to make sure that the Board understands that the Open Meeting Law applies even to informal, "non-meeting so to speak", communications, so one potential problem with trying to work things through the Chairman is that you might eventually end up in what is defined in the Open Meeting Law as a meeting even though you do not consider it a meeting in the normal sense of the word. For example, if one person asks another, "What do you think about this subject?" and then that next member asks a third member, "What do you think?" and then the third member asks a fourth member. At some point, it becomes something that is prohibited by the Open Meeting Law. So you need to keep these things in mind even when you have informal communications.

Chairman Schorr: I think what Felipe was getting at, and I agree with what he said, and whatever I have said before should be modified by that Statement. For example, let's say that there is an important sustentative matter that a board member feels should be placed on an agenda, studied, or some information should be required. Let's say that board member is Felipe. Felipe should be able to communicate directly with Victor for example, or Richard or any other staff member and say this is the question, the concern, or the comment. If it is sustentative and not simply a request for what is the latest ADT at a particular intersection or TI, then the Board members have always, in my view, followed this as a matter of courtesy. You should tell the Chairman about it so that the Chair or in his absence the Vice-Chair has cognizance of what is going on and can possibly have some input. Now what Joe said is correct also. If that communication precipitates a back and forth between more than three Board members, then we would be running afoul of the Open Meeting Law. So we have to be very careful and circumspect in those communications, especially with emails. It is so easy in an email to press a button which upon second thought you might wish you had not pressed it. Many people have found this out while they are wiggling in front of an inquisitor that it is a struggle to just answer why they did it. Good point Felipe. Any other discussion?

Bob Montoya: As far as Board to staff communication, I guess, are we crossing the line when we start going to staff? I think the bylaws that we are governed by stipulate that we are advisor to the director and we do have certain authority to approve and look at contracts and things of that nature and set policy. I guess I would look for some type of direction from the director and deputy director. I would think in my role, I see us being able to bring forth items that we think are important, that we may have need of through the legislature of contracts and things of that

nature that we can make Victor aware of, Richard aware of, Sam aware of, and maybe be planning for that. To go down another step, I think we would almost rather than Board role, we would be in management role and I do not think that is where we are intended, so I need clarification on that.

Chairman Schorr: There is a fine line between the statutory duties and those that are not statutory imposed. In the statute, it also says that Board members are responsible for fielding and discussing complaints by citizens within your jurisdiction, and that opens up a wide area of responsibility. It is a fine line. It has to be exercised with discretion. The Board should not, in my view, get involved in anything that could be construed as administrative. Personnel matters, we should not be telling Sam or Victor that this size gravel is better than that size gravel, or this type of process is better than that kind of process. We have to beware that we have limitations and those limitations should mandate that we not get involved in administrative or personnel matters of anything which goes beyond the statute. That is why I am saying that it is a very good idea to read the statute, read the rules, and see what we can and cannot do. I did not visualize today that we would go through the statute as such. I think it is important to do that. I think we have to just read it and reread it and make sure that you understand it. Fortunately, this is not very large. There is not much reading time. I think you can read the whole thing in 15 minutes and have a fairly good understanding of what you should and should not be doing.

Bob Montoya: Actually, I have a similar concern. This is not intended to stifle communication by any means. The model that I was going to propose is, communication on major issues really should not be doing through Gail, Richard, or myself. The small stuff, what is the status on the traffic interchange at wherever? I think that is okay to go directly to the source, going to Sam would be fine. When we are getting into issues where it is going to require additional research and additional resources, if you go directly to staff, and I have had it happen here within the last couple of months, they feel compelled that it is a Board member and they ought to go do this. It just creates some turmoil internally about, well, I am working on this priority and now all of the sudden a Board member has called. Because you are a Board member, staff feels like that is now the high priority. It does create that kind of an issue. I am flexible. I can tell you I have been caught flatfooted with some of you when you ask me. You say you asked somebody for information and I have no clue. Where are we on that? It does pose that kind of an issue for me. I think the way to think about it is in reverse. In your businesses, you have outside clients calling your project managers directly without your knowledge, what kind of an issue would that create for you. I think on the major issues, Gail, Richard, and I will be sure that we address the issue. I ask you to be open to this, because there are times when we will not be able to respond to you on the issue immediately, and we will let you know. There are a lot of things happening at (Arizona Department of Transportation) ADOT, so we have to juggle the priorities. I think on the small stuff, you know a cc: to either of the three of us would be fine. I think we would normally turn those back to the staff directly. I think the bigger issues I am in agreement with Bob. We have to think about those things. There are resource issues, priorities, and other things happening that we need to be aware of. I am open to your ideas. That is my proposal.

Victor Mendez: To that point, when you talk about citizens, we also, because we are in the communities and in the districts that we are where we are more accessible to the Metropolitan Planning Organization (MPO), we are also open to the staff. I have not had that happen to me,

but I know there is an issue with the East Flag TI, a supervisor will chat with me, and rather than call you, I will ask John Harper what the status is. I think that is pretty standard to go and get the information. Although sometimes in our role, we will run into situations where there may be a threat to public safety. A citizen will contact me or Felipe, and then I can respond by contacting the District Engineer within that area, but I will also copy Victor and Sam on the issue, and I have done that on several occasions, because it gives that person an opportunity, if they have contacted me, I have contacted them back saying that I have contacted these four people. You should have a response from them. In that type of communication, I do not see us having an issue. I do not feel that I would have an issue working with District Engineers. But on the major stuff, I think we are here to take care of the regular stuff, but we are here for the more global picture of how do we change things that are not working. I think that is where we can do the best job we can. I would like to get a better understanding out of this meeting today as to how we can be more effective, how we address the legislature, how we address the Governor's Office. How we work through those types of environments as an asset.

Chairman Schorr: Good points. Your points are well taken Victor. I quite agree. I think having a good line of communications is important, but it is also important not to overburden the staff. It is also important to allow the Director and the immediate staff to know what is doing on in the trenches by communications with the Board. Any further discussion on this?

Joe Acosta: The other thing you can do is to call your lawyer sometimes too if you have a question about what you can really do, what you cannot do. Is this getting outside the bounds of our job? You can call us up. My phone number is (602) 882-5632. Email is joe.acosta@azag.gov

Chairman Schorr: It would be helpful to us Joe if you and your associate would give us that information in an email so that we have it in our records.

Joe Acosta: I will be glad to do that. Bob, your example of, am I getting into something that we should not be getting into, it is possibly a legal question, please feel free to call. It is a lot better to deal with it then, then if you have already done something and then we have to worry about what to do after the fact, assuming it was something that should not have happened.

Joe Lane: Those guys are very responsible. They do a good job.

Chairman Schorr: Any other comments on this subject? If not, I think we will move on to the next item which is an update on the current events and how they are impacting the Transportation Agenda.

UPDATE ON CURRENT EVENTS

Open discussion led by Victor Mendez and Felipe Zubia

I will address what is on the Agenda very briefly, just layout the framework the way I see it. As the Chairman mentioned, we more than anything want to have dialogue rather than a presentation. On the growth component, clearly, we have all heard it and have experienced it. It has been growth, growth, growth, and the impact on an infrastructure in general. It is not just transportation, but if you look at what is occurring at the State level with budgets and such, you are facing issues in infrastructure and as a State. With regard to Transportation itself, we are

aware that the past decade the State has been growing really fast. We are now the fastest growing State in the nation and here in Maricopa County the fastest growing county. To me it is still actually a good story. What that means, because so many people are moving here, is that it is still attractive. The State of Arizona is very attractive to people like you and me, even at the personal level. We move here, we still think there is opportunity to find jobs. That is good. Businesses are still relocating to Arizona so that means the business climate is really good for businesses. It is still attractive to move to Arizona. I think the question is the challenges that this kind of growth really poses on all of us. Again, I am talking about transportation, but there is other infrastructure that is impacted by that. That is what we are up against, that challenge, and how we deal with that.

Just to give you a perspective, some of you did in fact, attend the Rural Transportation Summit here about a month or so ago. It was the 10th anniversary of the Rural Transportation Summit. What I spoke about in the few minutes that I had there was the fact that it is great to have a 10th anniversary of the Rural Transportation Summit, but think about where these communities were 10 years ago and think about where they are now. Many of you think you have this label of "rural". You really are not rural any more. You are more like small urban areas, maybe even medium-sized urban areas. So, over a 10-year period things have changed dramatically in the State of Arizona. That is one of the things that growth impacts.

With regard to the next bulletin point, the Sun Corridor, as you are aware, is considered a Megapolitan. It is one of the ten fastest growing regions in the United States. I think I heard yesterday that it may be the third or fourth fastest growing region in the US. As you are aware, that stretches all the way from the Prescott area down through Phoenix, through Tucson, down to Sierra Vista into the Benson area. It is a major growing area. If you look at the projections for population growth in that area, it is just incredible. One of the major issues we are facing here now and into the future is regional connectivity amongst many of these population centers. It is a major concern. You look at I-17, I-10. We have been talking a lot about rail options amongst many of these same areas, new freeways in Pinal County, the I-10- bypass concept that all of you have had to deal with in the past year or so, and many other concepts. Again, thinking about that whole region, how do we address that as we move into the future?

Moving on to Finance options, primarily the Public Private Partnerships (PPP). Many ideas are out there about PPPs. Key bills that are actually going through the legislature on PPPs, and really it is of great interest to all of us. I think the bottom line on that is, are we, here in Arizona, in an era where you will be able to garner public and political acceptance of a PPP concept. There are a lot of ideas about what PPP can be. In some cases, people talk about it in the form of toll roads, various concepts. Where do we as a public agency actually participate in being able to provide some level of participation in improving our transportation system? It is not just toll roads, but all kinds of concepts out there. Pricing ideas, really just developing new infrastructures through a public/private partnership. I cannot tell you where we are politically or publicly. You read the newspapers. There are a lot of ideas and positions about what is acceptable to the public. We have not done any polling recently. I know Time Coalition and Business Coalition are doing some polling so we may get some information out of that. We believe Maricopa Association of Governments (MAG) will be taking some kind of a survey, so we will get some information on that. I think the jury might still be out. I will tell you what I think could happen, again, not

having the polling. About 10 – 12 years ago, there was a toll road proposal that we spent a lot of time on. Eventually it did not meet the feasibility criteria, so it went away. Here we are 10 – 12 years later and I believe there might be a possibility for some of these concepts when you actually develop new infrastructure, the concepts that are out there, where you actually implement a toll on an existing infrastructure, I do not think is going to sell well with the public in the political arena, but again, that is just my sense. Eventually we will need a better sense of some of these tolling theories.

Felipe Zubia: Is there is a provision in State Statutes to talk about highway toll roads, is that what you are referring to that was done 10 years ago, that statute?

Victor Mendez: Yes, that statute is actually a rather lengthy when you consider the era that we are in now. The current statute basically only allows privately funded toll roads. That is what was occurring back then. I think the new era is that there have to be partnerships in place. Right now for example, it is difficult for us as a Board to participate in it. I shouldn't say difficult, I do not think it is legal to participate in a public/private venture.

Felipe Zubia: So we can not do anything under the current statutes by providing this.

Victor Mendez: Right, but there are a few bills flowing through the process that will implement some new concepts that allow this. We are moving into the current era of public/private partnerships. There are some very specific bills out there. I will give you an example. Senator Harper has introduced a bill that says that we will implement a toll road between here and Prescott to a certain alignment. So there are some very specifics. I do not know how far that is going to go. We will be at the table and provide our input on that.

Felipe Zubia: If anything like that passes, at least myself, I would like to know right away and as a Board and with staff start working towards a way to accomplish that.

Victor Mendez: I can only tell you some of the things that we are seeing are a lot of work. They are good ideas and concepts, but they may not work the way they are written. So we will be involved and engaged in that process.

Chairman Schorr: Do you think that it might be advisable, and I have no current belief on this, it is just a question. Shouldn't we prevent, ADOT prepare a formal toll road bill which would give the latitude to do it in a manner that would be acceptable? So many toll road proposals seem to be aimed at a particular corridor and would do it in a particular way, and they are not really, in my view, looking at the best practices for what has been done around the country. It might be advisable for us to at least have on board a form of bill, legislation, which would allow toll roads under correct procedures and under proper constraints. The toll road idea has been floating around now for quite some time. I sent the board and you a copy of an article which was in the *New York Times* about a week ago, and it described the experiences in Texas. I thought it was worthy for us to read it because it shows the ebb and flow, the concept of toll roads, while so appealing to so many people, on experience, sometimes we say "Wait a moment, this is not what we intended it to be". But on the other hand, there are some toll roads, and each of us I am sure at one time or another have driven on them, which show how you can do it and do it in the right

way. Certainly the toll roads across the southern part of France and parts of Spain are extraordinary as have been the experience of New York throughway, the Mass Turnpike. I think it might be a good idea for the staff to consider drafting a formal toll road bill which would take into account the ebb and flows and the spirit of a toll road, and also place within it proper constraints.

Victor Mendez: Mr. Chairman, we are working with several parties, ASU is one of them, and Associated General Contractors (AGC) on a bill similar to what you are describing, that is really broader in nature and provides general guidance. I would be very concerned with any bill that specifies which corridor or which road. If you really boil it down, it becomes an earmark process. We have said, as a federal process we do not like that idea, at the State level we do not like it. We need to ensure that. The application, not just toll road, but a public/private approach needs to meet certain criteria. It does not apply everywhere, so it has to be at the right place at the right time. It needs to provide guidance and provide criteria, but not tell you that it has to be the route from A to B.

Chairman Schorr: Precisely. If you could keep us informed of that we would appreciate it, because I think it is an important concept. Sooner or later it probably will be a part of an overall scheme which will deal with the huge transportation problem that only seems to get worse.

Talking about earmarks, there was another story I read this weekend talking about a Federal earmark for the Mountain Links Bus Service in Flagstaff, Arizona. Can anybody tell me about that?

Victor Mendez: I cannot tell you specifically about that. As you are aware, through the existing process, there is an opportunity for all modes of transportation to go ask Congress for funding for specific projects. We do that for the Hoover Dam Bridge. We were trying to get our money paid back from the Federal Government. There were several cities, counties, and the State that will go after additional Federal funding.

Chairman Schorr: This talks in terms of it being a fate accomplished. It is in a story called, "From Bush, Fellow Earmarks Similar Request". It lists eight items. Number four is Mountain Links Bus Service, Flagstaff, Arizona 6.2 million.

Virginia Turner: It is a grant that has not only Federal dollars, I think it is 80% federal dollars, and then there are local monies from the county and the city that make up that.

Gail Lewis: Mr. Chairman, we do try, and the Government Relations Team does try hard to keep in touch with Councils of Governments (COGs), Metropolitan Planning Organizations (MPOs), in cities and towns about their Federal priorities and try to make sure to have a complete list so that we can give a full list to the delegation so that they know that we are not fighting one another with transportation dollars. It does not always work, but we try hard to keep in touch with everyone, so that we know what is going on.

Bob Montoya: On that subject and I know it is a very sensitive subject because I have these discussions with the COGs; they have to go out and do their own solicitation of funds. They

cannot completely rely on ADOT. ADOT has its priorities and historically rural Arizona has not been a priority, so they are out there trying to garner grants and whatever they can to obtain those services. I would like to add to Zubia's comment about these bills and your comments Victor. If you talk about these programs that have been in place that are not working today, they are 10 years old or older, how do you see the laws that regulate our Federal highways, are they effective for today's environment?

Victor Mendez: Obviously not all of them. The best example I can give is that for a decade now at least, we have been attempting to streamline the environmental process. It has been one of our major priorities on a national basis. I will qualify that by saying that we are not trying to shortchange the environmental process, we are just saying that it needs to move faster. Are there ways, for example, for Federal agents to use multiple agencies to that get involve in the project, that like to review things sequentially first, Agency A, then B, and then C, why can't they all review it at the same time? We want to make that process faster. In the old days it may have worked. Nowadays, everyone says I want my project now. Get it approved, get with the program, and then two years later they come in and say, "Can you accelerate it?" So we are trying to streamline the process. I use that as an example where rules and regulations that were in place 30 years ago, probably made sense back then, but they do not now. The other issue as an example, there is a proposal out there says that ADOT shall privatize all rest areas constructed adjacent to State Highways after the effective date of this act. That is the bill. We just went through that. You all have the whole issue that said if it is a federally funded rest area, we are out of luck on that. I do not think that if this would pass it would supersede the existing Federal law. The question becomes, as we move, and you have heard Secretary Peters talk about it, he agrees it is a major initiative for him. It is not consistent. The existing Federal law is not consistent with the direction that we want to take. So not everything is at the modern era. Just like our statue on toll roads. It is 10 years old.

Bob Montoya: I guess as a follow-up, how do we change that? How does that get changed? What efforts are we putting forth to make sure that those do not fall off the radar.

Chairman Schorr: Again, as an example, the environmental process, that has been a financial effort with the Department of Transportation (DOT) association where all states are saying that this system just takes too long. We keep putting pressure, individual States and at the federal level. The rest area issue, that is high priority for us. I do not know in the scheme of all things if it is for me. It is going to take time. You are basically going to have to go to the Federal level and change the laws there, and that is not an easy thing to do.

Victor Mendez: I discussed that with the Secretary and I believe US-DOT would be sympathetic to that change, but there is a big lobby out there which does not want to see that changed.

Bob Montoya: But why? Why aren't we researching what the opposition is to that, so that we can bring forth a program that addresses those things? I am not a politician. I am in private enterprise. When I need things changed, I figure out a way to do it. I guess that is one of the frustrating points to me being on this body is that we do not seem to want to work on hard issues. I realize as I look at resources and time, but that seems to be a huge revenue. Right now, rest areas are a big drain for us. When we maintain them and rebuild them, but we generate so much

traffic through them. Is there a taskforce, or is there someone who would want to take this on? You talk about being in contact with ASU and U of A. I talked to NAU. Their public administration department and the school would love to take on the project if this body, the Governor, or whatever power that is in charge of this gets behind it, that it wouldn't just go on someone's shelf and say, "Oh, that is great reading material", and not move forward. I am a problem-solver rather. If I look at things, and I sit down with the city, and going through projects saying that we can't do this because of this, and this, and this. I figure out how we can do these things. I would ask that of this body. To your point, what are the big hurdles?

Chairman Schorr: The big hurdles are to change the Federal law and that is a monumental hurdle. You think working on getting a change in State laws is difficult; doing it on a Federal level is that much more difficult. If we wanted to do that and it is a priority, we would have to draft a scheme of what change we would like to see in the Federal law, then we would have to get our Representatives or Senators involved in getting behind the effort and placing on this official level of priority so that it becomes an important issue. Now, these things do happen. If we think it is worthy, we should prepare the type of bill that we would like an Arizona Representative or Senator to introduce, and be prepared to get behind it. That is my view. Victor, what is your opinion?

Victor Mendez: I agree with you. I think if you are focused on that and think that is the highest priority. Again, caveat in Arizona priority may not be a Louisiana priority, so it is kind of like at the State level. You have to have so many votes to make something happen. The big issue is really the level of Federal funding, and the level of State funding. It is a matter of what is occurring at the Federal level, because you were talking about the Federal issue. Is it more important to focus our energy on the rest area issue, or is it more important to focus our energy on increasing the level of Federal funding for everybody? Everything takes time, effort, and resources. Our priority has been on addressing the Federal funding pie as opposed to the rest area issue. Every thing takes time and resources, and it can be done. Really, the priority has been on the high level transportation funding issue and right now it is reauthorization.

Chairman Schorr: To that point, and I don't mean to make rest areas the only priority. We have talked about funding. Where can we generate the funds? Nobody wants to raise taxes. Nobody wants to even go there.

Victor Mendez: We have not looked at raising taxes for 20 years. It is gas taxes. You look at the profitability of these oil companies, I mean 49.5 billion dollars in income and they are charging \$3 a gallon for gas. The gas tax that we are getting now, we were getting that same amount when we were charging \$.59 a gallon.

Bob Montoya: There is something wrong with that. The public is still paying for that gas.

Chairman Schorr: The public doesn't mind paying the gas tax to the oil creating nations of the world because they do it every day to us. Somehow or another that is an anathema when they have to pay it to the State, go figure. If the Board wants to set that as a priority, the way to do it I suppose would be to draft a piece of legislation and then to seek sponsorship of it through a member of the Arizona delegation.

Felipe Zubia: Mr. Chairman, at the end of the agenda, I think we are looking at establishing your five objectives. The strategic planning process that you mentioned several months ago, if that is where you think you want to go, that is fine. I hope we get there. It is a big task. We can do what we can, but you are talking about 49 other States. We could make it a national security issue.

Chairman Schorr: We couldn't even get the Hoover Dam to be covered by Homeland Security.

Felipe Zubia: We tried.

Gail Lewis: Mr. Chairman, I would to keep a list of these items so at the end of the day we can go back and review them.

Chairman Schorr: There are some funding possibilities out there which may have been addressed. I know that every time a community wants a TI enhanced or a new one constructed, there are negotiations with the private community in which they help fund these TIs or new capacity lanes and so forth. I have been watching this over many years. It seems to me that it is almost always done on an ad hoc basis. You cannot tell a developer or anybody or town that is interested in doing this what the price should be. We know what the TI would be and we know what the cost of the additional capacity lanes might be. But if a town with a developer, without a developer, wants to know what the cost of it would be, what their share should be, there is no set pattern. Perhaps this has been addressed. I think there should be a uniform way of approaching contributions to enhancing the State highway system which are as applicable in Flagstaff as they would be in Sierra Vista, as applicable in Yuma as they might be in Tucson. People, companies, communities need to be told, if you are going to be using the system as your primary means of access, for example, I am thinking particularly of the town of Maricopa which uses a State highway as their primary means of access to get to I-10, had their been in place a statute which says, you need capacity, you need TIs, here is the formula of what must be paid. Any group above a certain minimum I suppose that is going to profit from this or benefit from this should be made to pay. This would be a form of a development fee which is now routinely extracted in the counties and local jurisdictions throughout Arizona, but I think we are going to look for creative ways of funding the State highway system; we need to begin to look at those things. I am sure that there will be some elements that the developing community and others might look at aghast at such a proposal, especially coming from me, but I think it is something that we need to be looking at. The crest should be A: to raise money. B: to do it on a uniform, non-arbitrary basis so that when a town negotiates, for example with a development company that is going to share this burden, they will be able to say, "This is the way it is. If you want this improvement and you are going to pay for it, this is the formula for which you pay." Has there been any legislative thought to that proposal?

Victor Mendez: Not legislative thought. Let me just tell you where we are. There is a missing piece here that is critical. Historically what we have done is, we have gone to developers or cities and if it is a new traffic interchange that is not in the program, it is their cost. We do not necessarily ask them how they pay for it, as long as they pay; we don't care if it is a development fee or how they come up with the money. In fact, cities have issued their own bonds to pay for

some of that, and in some cases, like Twin Peaks and Marana, I think they actually went to the developer and somehow implemented an impact fee. We have been actually good on the traffic interchanges. I believe we are probably in queue, in play, about \$75 million, or \$57 million. It is one or the other. We are really under discussion with developers and/or local jurisdictions. In addition to that, we are as you are aware, undertaking an axis management plan in concert with local communities and FHAA because FHAA is concerned about growth. What they are saying is that you have to have a plan of attack here, especially as we go to the inner core now toward the more rural areas in terms of traffic interchange spacing. Once we nail that down, these new developments will understand that this is where the location is for the future TI. It may not necessarily be in the program, but the plan is in place. If anybody were to come and say we need the access now, they are basically going to have to pay for that. We will not be able to pay for that. I think we are pretty good on the traffic interchange approach an ITD is also implementing a policy making consistent throughout the entire State on how we approach these issues. As what you said, let's make this a consistent process. What I think the missing element that we have which is very critical is capacity on the main line. How do you address that? How do you allocate a cost to the additional capacity that is needed in the future? I think as we go through some of the framework studies, some of the policy issues will delve into that. How do you allocate the cost of growth to infrastructure? In our case, freeways, highways, and rail. I think rail is going to be a component of that. Transit options, I am not sure how that would play into it. That is really the missing element. Whether we need legislation for that, I do not know.

Chairman Schorr: I suspect we would. The counties and cities certainly need legislation for them to be able to adopt development fee and planning coordinates, so I am sure the State would need it too. I think it might be good to consider this as one of the priority issues, because I think that unless we find means of raising revenues other than those which we would probably think of first, gas tax, sales tax, and so forth, it is not going to happen. So I think we need to examine what other alternatives there might be for financing the transportation system. As Victor correctly points out, it should not only include highway transportation. It needs to include multi-modal aspects. In cities, and I am not suggesting this for all of Arizona, you do have to pay for certain types of mass transit improvements in many cities around the United States if you are going to undertake development. This is usually in high-rise buildings and densely compacted cities. It is yet to happen in Arizona, although Phoenix seems to be heading in that direction.

Victor Mendez: The one other element that comes to mind also is, as we get into these discussions with individual parties, is the issue of right of way. I think you have dealt with that. Off the top, I think Rattlesnake Wash in Kingman was one of those where not only did the city bring funding to the table, but they brought some right of ways that I think were donated by the city, I think legally by the city, so the right of way costs are also something to look at and see if developers can provide right of way.

Bob Montoya: To that point, to your point, I think we approved that TI, they did donate right of way and the city came up with some funds for that. So we don't have the model. I could say that if I owned that land where that TI was going to be, I could give you what you wanted there, especially if I didn't have to pony up the other \$50 million dollars to build it. That is a no-brainer, but we still ended up paying how many millions of dollars for that TI? So to your point

Chairman, we need to have it so that if TI is of benefit to the benefactor, then they should be paying more.

Chairman Schorr: That was my point. I think there has to be fairness and uniformity.

Victor Mendez: Very quickly, I think I went over my 15 minutes, although it has been a good discussion and that is really what we wanted here. The issue of environmental concerns, air quality, global warming. I like to ask people in my speeches, how many of you believe in global warming? Does anybody dispute it? One of the issues that I would like to talk about in relation to climate change is that in transportation. . . Last year I did a couple of speeches, actually I did a lot of speeches, but there were two that stuck in my mind because during the Q and A several people in the audience actually debated the issue of global warming. My point to them was that it is not really a matter of whether I am right or wrong, and it is not a matter of whether you are right or wrong, it is a matter of what is in the public conscious. If you look at what is occurring out there in terms of policy, the debate is over. So what we in transportation have to be aware of is that we need to be engaged in the solutions for, if you don't believe it, some kind of a greenhouse gas solution. The reason for that is, if we don't, I believe someone will come up with solutions for us. So it is not really a matter of us debating yes or no, it is a matter of us working in transportation to address some of those areas that are of concern from the environmental standpoint. Some of the research, depending on who you look at, greenhouse gasses, somewhere between 35% - 50% of greenhouse gasses is attributable to a transportation source. If you look at what is occurring politically whether it is in California, at the President's and administration's level, even here in Arizona, a lot of policy issues are being debated and a lot of legislation is being implemented to address climate change. I would just like to remind you anecdotally, we are in a drought and have been in a drought for about a decade. We were talking about this earlier. You look at wild fires, there are a lot of things that are happening and those tell you things are changing. But I think transportation, we need to be part of the solution, otherwise we are going to get stuck.

Chairman Schorr: Can you give us a specific example of how you think we might address that issue?

Victor Mendez: Well, there are some really important policy issues that are being debated that are all really great. They are good, laudable goals, but they are in conflict. Global warming, you look at what is happening at the national level. There is a lot of discussion about the café standards for example. Having vehicles get more miles per gallon, going to other sources, other fuels, other types of fuels. You talk about oil. From a national security standpoint, we want to become energy independent, which to me tells me we need to wean ourselves from the Middle Eastern oil. When you talk about that, when you go to a conference and they talk about this as strategies, they are all focused on those strategies. When you go to a conference, they are all focused. If you go to a climate change conference, they all focus on climate change strategies, and yet we are here saying that we do not have enough revenue. Where is our major source of revenue? From oil. So all of these strategies are in conflict. So it is important for us to try to find a way to meld these strategies into a holistic solution. In side of those, they all make perfect sense, but we are struggling and there is a conflict there. If you look at the future and the direction that we are taking as a nation, and even at the State level, it is going to impact us even

more in transportation. Again, you have to look at, just as examples, the issue of multi-modal. What solutions are out there to maybe get more people out of their vehicles and into buses, rail, or commuter rail? Those are things that we have to be looking at. Everything has an impact on transportation revenues and what we plan for the future, which really gets into the framework studies. We will be changing some of these policies. Are we going to be growing differently in the future? We talked about Sun Corridor. If you think about what happened with Anthem, everybody who lives in that area, I would say the majority of people who live there go somewhere to work. If you look at what is happening to the west of the White Tank Mountains, the projection is that we are going to build a whole new city of 3 million people out there. If we follow the same model as Anthem, if they are all going to have to go somewhere to work, they are all going to get on I-10. About 2.5 million people are going to come to Phoenix somewhere to work. It just creates chaos on the system. You cannot have enough lanes on I-10, enough commuter rails, or enough buses to get all of those people to work. So many of these things have to change. It is not a matter of how we fix transportation; there are other policy matters that need to be looked at. We cannot fix it solely with transportation. I do not have a solution, but these are the issues that we have to think about because it goes beyond just transportation. When we get into the framework studies and some of the smart groups, the initiative that the Governor has in play right now.

Chairman Schorr: You cannot begin to solve transportation problems without considering many of these, which we for many, many years have treated independently, which you just can't do.

Victor Mendez: Communications with cities. I think all of you are aware that for decades now we have had a lot of communication and always good relations with local jurisdictions. It does not mean that we always agree on issues, but at least we have a form for dialogue and discussion. Through your process, which is a formal process, we also include that as part of our communication and dialogue. From my perspective, this development of the statewide plan through framework studies really is another opportunity for us to enhance that communication. I can tell you that over the last couple of months, I have flown out to various MPOs and COGs to personally meet with them and get them onboard, and open up that dialogue even more. I do not know if any of you are hearing out there about communication with the local entities. Are any of you hearing anything for better or worse?

Chairman Schorr: I think you are doing a good job on that.

Victor Mendez: Finally, the budget. That is a tough one. I think you have all heard of this thing called the budget deficit. It is not pretty. Clearly the budget deficit discussion revolves around the general fund. We in transportation, everything you do and ADOT does, is not part of the general fund. The revenues that we generate at the State level or transportation really come from the gas tax which does not go into the general fund. Vehicle licensing and titling, and some other sources. Then there are also the local sources like the Regional Transportation Authority (RTA), Regional Transportation Plan (RTP), and things that are occurring in Yuma and other places. Unfortunately, the deficit is pretty massive and the economy is not doing well as you are aware. The projections are though from the Governor's office that they do anticipate that we will pull out of this economically sometime. It won't linger, whether it is a year or year and a half.

Obviously we don't know, but they don't anticipate a prolonged economic downturn. But you never know. So the issue really becomes the executive and the legislature trying to balance this general fund problem. They are looking at transportation funding as a source to balance that deficit. In fiscal 2008, the executive bid proposed \$23 million from transportation, \$15 million of that was for the aviation fund. The remaining \$8 million were in part for internal budget items that we manage and administer so to that point, ADOT is taking some budget reductions. The legislator, there is a Senate bill on the budget that is actually proposing, I think it is a \$25 million diversion of the same funds that we are proposing, but they have added more to it. They are also proposing a shift of \$53 million to Department of Public Safety (DPS) and Highways Users Revenue Fund (HURF). So that is in play right now. That is for fiscal 2008 which ends in June of this year. You will hear a lot about legislature wanting agencies to reduce their budgets. We are beyond half way through the fiscal year. To make up these kinds of budget deficits through operating budget cuts is impossible. You would basically have to shut down ADOT if we were to participate at the levels that some of them are suggesting. I am assuming other agencies feel the same. You have to cut 10% between now and the end of June. It is impossible. You might as well just shut down the government and figure it out later.

Fiscal 2009 is looking just as bad. In fiscal 2009, the executive is recommending \$53 million from the State highway fund. The legislature is recommending \$106 million from HURF. Just to give you a quick back ground on that. HURF dollars are dollars that include funds that go to the cities, counties, towns, and ADOT. About half of that goes to the cities, counties, and towns, and half goes to ADOT and becomes part of the State highway fund. So when they say they are shifting to HURF, it means that half of it comes from the HURF portion of the cities, counties, and towns, the other half from the ADOT half. What they proposed from the State highway budget means that the whole cut comes from the ADOT program, so it is important to keep that in mind. That is where we are on the budget. You that are business men I think understand that. If your business was in dire jeopardy and you had various lines of businesses, how would you resolve your budget deficit? This is what the State is up against. It is a major problem that they are trying to resolve.

Chairman Schorr: Thank you for coming. Any questions? Let's then move onto the next item which is the legislative landscape.

LEGISLATIVE LANDSCAPE: Issues impacting the State and federal legislative agenda for 2008.

Chairman Schorr: Richard Travis. Eileen Colleran

Eileen Colleran: There is a handout for you that you can go through. Just to give you kind of a feel from the Federal perspective, where we sit right now, the first and most important is the revenue picture. Fiscal year 2009 there is predicted to be a shortfall in the Highway Trust Fund. The President's Office figures it to be about \$4.3 billion. Congressional Budget Office is about \$1.2 billion. It does not really matter which figure you use, it is clear that there is going to be a shortfall, so that is a big issue. That shortfall will continue then into the future they are predicting.

The next thing is FAA reauthorization. That program expired almost a year ago and is still under continuing resolution. The big impact for us in Arizona and in other States is the fact that the way the legislation is written, if you keep doing short continuing resolutions, you don't accrue enough money and you are not allowed to expend some of the funds in the capital improvement area, and that affects both our large airports and our small airports, as well as the funding has not been released for the Central Air Service which is about 4 – 5 of our small airports who use that funding. If it is not reauthorized in the near future, it is going to have a huge impact. They are looking at doing a continuing resolution through June and maybe trying to do some fixes to get capital funds out, but it is something to watch, and that is another important issue.

Next, transportation reauthorization is up and coming. The big issue is obviously first the revenue picture which we have already talked about. Also Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) challenges. One of the things that has happened since SAFETEA-LU came on line is the fact that we have reduced purchasing power. The money that was given to us is not keeping up with inflation. Construction costs are rising, so along with just the revenue picture, we cannot buy as much. We have kind of a bleak future there. Future transportation needs are growing immeasurably, mostly in the south and west, and we are predicted to just keep increasing traffic, and we are going to have to address that issue. Also our freight challenges, more and more freight, and I think you have all seen the pictures where they show from the Long Beach port through I-10 and our I-40 corridor just huge amounts of freight are going through and that is just going to keep increasing as we increase the number of people. And we need a place for that to move. Accelerating project delivery, Victor has already talked about the fact that it takes too long. Everybody wants the fix now, and because of a lot of the Federal requirements, it takes us a much longer period of time than we would wish to try to get a project through. You have something, you are all ready to go, and it takes 3 – 5 years to get clearance. People don't want to wait that long, so how can we work to speed up project delivery while continuing to keep environmental enhancement in mind.

Finally, a new vision. Where are we going to go in the next 50 years? The last 50 years it was build the interstate system. We did that. Where do we go now? We are going to have to look at different kinds of revenues. We are going to need to look at multi-modal systems. We are going to need to look at what is going to make a difference in our future and get us to where we need to go. That is the Federal landscape.

Richard Travis: At the State level, I think you have actually discussed quite a bit of the Public Private Partnership legislation. I would throw out a piece that I did not hear discussed. One of the biggest challenges for toll roads as public/private partnerships in Arizona is the issue of imminent domain. Private companies don't have the ability to condemn land. That only exists with governments and railroads. It is a stumbling block for toll roads, because if someone has a parcel that they don't want to sell, then you either have to jog the road around that parcel or agree to some inflated price which then inflates the cost of the project, and then the math gets more difficult for the private entity. A partnership hopefully would work with the government entity using its power of imminent domain to acquire the right of way. Then we get into the issue of who owns the road. It cannot be a private entity at that point because that would be a gift. It seems like the only way to do it is if the State owns the toll facility, but it is a private company that operates it, and their profit is from the operation. That is a way to do it, but again you get

into some financing issues because a private entity would be asking to borrow the money to build a toll road when they don't own the dirt on which the road is built. So there are some significant hurdles that have to be cleared to make tolling a new facility in Arizona more practical.

Chairman Schorr: Richard, my understanding, in other jurisdictions is that when they do it, the State owns the land and leases it for a period of 50 or 99 years and as the owner of the fees, they have the right of course to acquire the necessary land and the powers of condemnation are exercised by the State. The State then leases it and the operator then operates it. I think when they do that, don't they then avoid the problems of eminent domain? Because the State is the landowner at all times, and the operator then finances it on the basis of their leaseholder interest which is not uncommon at all in the commercial world.

Richard Travis: Right, and as I described, and we are actually seeing it on some of the reservations, if you look on the 101 – the Salt River Pima actually leased tribal land for 99 years for example to Target. Target came in and built their facility. That is a way to do it, but again, that is a public/private partnership that is different than the traditional toll road that most people are familiar with where some private entity owns the facility.

Chairman Schorr: Any questions?

New Speaker: Mr. Chairman, I think I would go back to your question from 20 minutes ago. Are we working on a solution? I am thinking legislatively. Those are the issues that we need to cut through and figure out. Given the current era, what do we really need in place to make this happen and make it available when it is appropriate?

Chairman Schorr: There are so many problems with toll roads. They have opportunities of course, but as you read the literature on it, one of the greatest problems is the toll road operators usually want a covenant from the government that there will be no competition, that you won't be able to build public roads in proximity to this system that is being tolled. That has raised a lot of concern and has been one of the wakeup calls to those folks who advocate toll roads without really thoroughly understanding all of the implications. I don't know if that is discussed in that article on the Texas system or not, but I have read literature where that is a concern. Again, my personal view is that under the right circumstances and the right places with the right divisions it might make sense. It might not also, but if it is going to be part of the mix, then the necessity due is the kind of statute which would be fair and reasonable is correct. Otherwise what happens is politically, as I read the literature, a group gets the notion that this is a good idea, and they present their form of legislation to a legislature which needs money fast and furious like, and they find a piece of legislation on the books which in retrospect might not have been the best idea in the world. Any further questions for Richard or me.

Gail Lewis: Mr. Chairman, it might be helpful if you gave a two minute overview of the testimony that Secretary Peters gave to the past T & I this week and the questions that were asked of her.

Eileen Colleran: Yesterday the House Transportation and Infrastructure Committee actually heard the minority report from the National Surface Policy Study commission's report that just

came out recently on the future that they were recommending for the Federal program for transportation. Secretary Peters was the one that presented the majority of the minority report. One of the things that was very clear from both sides of the aisle is that they were not happy with the fact that Public Private Partnerships seem to be such a centerpiece. None of them seemed to think that was going to be the one answer that was going to fix the problem. They were even as pointed as to asking her whether they thought toll roads in her home State of Arizona were going to be there, and she said, "Well, I tried." And they said, "Yeah, and it didn't happen, did it?" So there were some pointed questions and there is a lot of concern from both sides about the future of funding and public/private partnerships. While it is a tool, they don't think that it is going to answer the huge problems that everybody is recognizing in terms of the need for revenue for transportation infrastructure.

Gail Lewis: The majority report from the Secretary's Commission on Policy included tax increases and other revenue enhancements as well as keeping peace as part of the mix. They had to coerce the minority report that focused much more on privatization. It was a pretty interesting set of dynamics. What was surprising to us was that the questioning of Secretary Peters was just as pointed from the Republicans as it was from the Democrats. Clearly this has crossed the line as being a solely partisan solution.

Chairman Schorr: Indeed, did she not dissent from that report, the Secretary?

Gail Lewis: She did.

Chairman Schorr: Especially those recommendations concerning increased funding?

Gail Lewis: Would you also agree that the Democrat's view is rather diametrically opposed to the Republican view on it, and that the D leadership has indicated that should they ever get into power that they would want to go back to increases in funding for transportation in large measure.

Eileen Colleran: Actually, the Ds obviously have talked about that and are very into looking at major increases, but the Republicans have also recognized that there is a huge shortfall. The Minnesota bridge collapse kind of woke everybody up to infrastructure issues, and while they are not as open to talking about taxing, they are talking about trying to find some way to infuse more money into the transportation infrastructure, and it seemed that they were pretty clear that they needed public/private partnerships, while it has a place, it is not going to be the answer that is going to take care of it all. They obviously were not offering any new tools that we have not heard about. So it is kind of unclear how this is all going to work out.

Chairman Schorr: Except to say that we are in a transition period probably in the next year until we figure out who is in control

FRAMEWORK STUDIES: Update on the framework process with updated timeline and outcomes.

Victor Mendez: Maybe I should begin with a brief refresher on the framework studies. As you recall, you all agreed sometime last summer to fund the studies, \$7 million that you allocated. We had subdivided the State into several regions, and in each region we will conduct a framework study. Eventually when we get to that process, we will run them all together and create a long-term statewide transportation plan. That is the plan of approach. The schedule itself looks something like this. We are underway. We did create a whole management structure just to be able to get this done. We have hired management consultants to address the individual regional studies. We have internal staff from ADOT on the teams to oversee the study and oversee the project. The intent is really to finalize the plan itself in the spring of next year, 2009. What the Governor has requested, and we have said it is part of the process, but not really; this is really a separate request from the Governor. The Governor has made transportation into a major priority. What she wants to do is to be able to go out and garner support from the major stakeholders out there, from policy makers. So she needs information to be able to State her case. What she asked for us to provide to her by March 31 is draft information. We went back and thought about this and came back with a concept that said, "We can provide to the Governor a list of critical needs." That list of critical needs falls under three categories. One is information that we know about. In every region of the State, we all have various plans and general plans that are in place. We know some of the infrastructure requirements. We would also be looking at illustrative projects or concepts such as passenger rail between Phoenix and Tucson. It is conceptual, it is illustrative, some of the rail issues that we are contemplating. We know that there are unknowns. The Governor went throughout the State and had three meetings with elected officials from southern Arizona, from Maricopa County, and from northern Arizona. One of the issues that they raised was their need for maintenance and operations funding for the local system. That is an example of what an unknown element would be. We know there is a need there; we just don't know exactly what it is. On March 31 we will present to her a draft list. The important caveat here is to understand that this is not a plan. There is concern out there from MPOs and COGs that if we present her with a quick plan, that could become an initiative for voters to vote on in 2008, but that is not the intent. May 31 we will then give her a redefine final critical needs list. The process is underway. Felipe, I will let you fill in. Felipe was in the Policy Committee yesterday. I will let you fill that in and provide your insights.

Felipe Zubia: Backing up just a little bit to last June or July when we authorized the \$7 million in funding. You will recall that following the meeting, the Board considered an action and established a sub-committee of this Board to oversee the framework studies. That sub-committee was made up of me, Bobbie, and Bob that would help oversee it. The intent is to have the sub-committee meet jointly with the Policy Committee that Victor was referring to. So you can kind of get an idea of how the Board fits into that picture of the statewide frameworks. With that being said, one of the reasons why we are even discussing at a State level. I guess I have to recognize this at a certain perspective, because of a lot of work that MAG has done, one with their own RTP, they were really the spearhead in bringing it up on a Statewide level dating back to the last legislative session where they were asking for funding to do extra work out there which is why we can move forward. With that being said, I think everybody at least at this table will agree that statewide planning is an ADOT function and as a function of this Board that it is better suited for our makeup than it is for MAG to be running the process. That is no slight on MAG; it is just a matter of what the State statutes are that gives us the authority. With that in mind, I think there is some concern out there, to put it lightly, with some of the rural COGs, and

MPOs that it was becoming a MAG process and not a Board process. The way that was happening, just to give background, there is the COG and MPO association that is currently chaired by a MAG representative. Naturally since it is an organization of COG and MPOs where they have all the rural COGs, it naturally was appropriate to discuss it and start moving the process forward to do that. It is perfectly and appropriate way to do it. Again, going back to where the function sits more appropriately being at the State level at the ADOT Board, what we came up with, that is meaning the stakeholders in the framework, was that the committee which is referred to as Building a Quality Arizona (bqAZ) maybe you are familiar with it and have heard of it. This involved members of the Time Coalition which you are also familiar with. It included COGs and MPOs. It also included some business partners as well, and then finally some other governmental entities at the Federal level as well as some county entities and State entities. So what we did was create a structure that used that as a model, but we did that for the Board so that the Board had a more active role. The way we did that was the Policy Committee within the bqAZ. It was established which included the elected, for lack of a better term, and appointed officials throughout the State as well as business partners. The elected officials are represented by the Chair, the Vice-Chair of each COG and MPO throughout the State. That means for instance that the Chair and the Vice-Chair of MAG who are elected officials, the Chair and Vice-Chair of Central Yavapai Metropolitan Planning Organization (CYMPO), Pima Association of Governments (PAG), and then others throughout the State. That is the model. Also again, the Board's involvement and now the sub-committee, that being Bob Montoya, Bobbie Lundstrom, and myself, are actually part of the committee. With that being the case, really what it is will be a joint meeting of the sub-committee and the bqAZ policy. It is meeting the legal test of Open Meeting Law of the sub-committee, but in any event, they will be participating together in that respect, and in the process. We had our first meeting yesterday. It was a very successful meeting. It went very well. We had some very good input. We were missing about half of the representatives from the policy committee which was not so good, so we need to do a better job of trying to get that participation because that is where it is going to be needed. The long and short of it, is that this issue will be the top issue for this Board and Statewide transportation related issues for the next 8 – 12 months.

Getting now into the process, Victor discussed it briefly. In all honesty, I have been on the Board for a couple of years, I have known about this for the past two months and I still didn't get it until yesterday. If I could just explain to the Board exactly what Victor was saying in a way that was explained yesterday, which I thought was very helpful. The Statewide frameworks are being treated in a three-prong approach. Those three prongs are one, there are critical needs that Victor was talking about which are; what are the needs out there? If something is going to happen with regard to funding, then there needs to be a rational basis for what that funding is for. Given the short timeframe, even if we were to talk about it in two years, the problem is that we are never going to find an end to the road of all the money that is going to be needed. At least we can develop some rational basis for what funds are needed. That is not going to be the end-all deal. That was one of the other concerns out there is that if we develop this list or the plan, what is the use of even finishing the framework? Well, the use is that this is not going to define the specific growth, the specific expenditure of the dollars or the fiscal analysis. That is not part of the framework. So even though the critical needs will happen, which is one prong, the second prong is the actual framework studies which are going to be an ongoing process including some time in

the spring of next year. Then the third prong in all of that being the overall public participation and input throughout the process.

Victor Mendez: The issue is, if you are going to be successful with this plan and garner support throughout the entire state on all levels including the public, elected officials, and everybody else, how do you manage that, and how do you get to a level where everybody can support a plan? That is really what the public participation process is all about. It is going out and working with everybody and finding a way to garner that support.

Chairman Schorr: With that description of the process and what is going on, what I would like to hear from the Board members here is what the issues are, and anything you can see process-wise or within the bqAZ policy-wise that you think needs to be addressed. I would just really like to open it up for discussion.

Felipe Zubia: Since it is on the agenda as an item, I think now is an appropriate time, even if you have specific transportation issues out there that need to be addressed, now would be the time to discuss it.

Chairman Schorr: I am not sure if you mentioned it, but you actually Co-Chair the policy committee.

Felipe Zubia: I am the Co-Chair along with the COGs and MPOs Chair which happens to be Mayor Cavanaugh.

Chairman Schorr: What is the next step in the process?

Felipe Zubia: Good question. There was a suggestion yesterday to have a meeting in March, but as it stands right now, the next step is our second meeting which is planned for April. That would be the second step in the process where we come back and get an updated status report on where each of the different frameworks are throughout the State. In fact, maybe there should be a little bit of explanation as to what the frameworks are. The State was broken up into different regions if you will, different areas that interrelate with regard to transportation. There are four frameworks outside of Maricopa County, and there are two frameworks within Maricopa County that have already been initiated and are near completion. Those two within Maricopa County are the Hidden Valley which you have heard of as well as the Hassayampa which you have heard of as well. The other four frameworks throughout the State are going to follow that model for lack of better terms or description.

There has been a lot of effort already underway for the last two months. I have a whole list here of things that have been accomplished. In fact, one of the big items is that yesterday, in concert with the meetings that we had, we actually launched a website, www.bqAZ.gov to outline a lot of this. Obviously, if we make progress, it will be updated accordingly, but studies are underway. Our consultants are out there meeting with MPOs, COGs, and other stakeholders. Planning process is underway. As I mentioned, we are in the process also of developing this critical needs list. My suggestion is that at the next Board meeting, we create a study session and have our management consultant come in and give you an overview and briefing of the project. We are

basically treating this as a project. It is a project that is being managed with a pretty elaborate structure. I am positive that we are going to get the results that we are looking for. It is not easy. There is a lot of apprehension from various people about what is really happening, what the outcome will provide to policy makers and such.

Victor Mendez: I think we overcame a lot of that yesterday though. I think everybody that needed to be at the table was at the table. All of that apprehension that was there for the past three months I think was gone as of yesterday.

Felipe Zubia: It will come back, the apprehension. People will read an article that maybe isn't quite right and they will be asking questions. We just have to stay on track. Like I said, we are managing the project. We will have to deal with issues of clarity on the project. So we will continue to press forward and come up with a product, first of all that the Governor wants, the critical needs list will be there. In the end a year from now, we will have a long-range plan that is available to all of us to at least fully understand what the ramifications are of a multi-modal long range plan. How are you going to pay for that? That is the question that will be put forward.

Chairman Schorr: Any questions by board members? I have been wrestling with this myself and I want to see if I understand it. The framework studies you say have been divided into three prongs. One is the critical needs, and I am not quite sure what that means. When you look at this, it is all critical needs I would assume, but what do you mean by that first prong, critical needs.

Felipe Zubia: To summarize it, it is the Governor's direction, to provide her with information. That frankly is the best way to describe it. It is not something that I have been involved in. I think right now it is at a technical level with the staff. I think each of the district engineers have met with the COGs and MPOs and the engineers within their district, the local engineers within their district to assess what the needs are at that level. At least at this point, it has been kept out of a policy-maker's or the political realm, and just left at a technical realm. So if you could look at it at that level, the critical needs are a technical assessment and not a political assessment.

Chairman Schorr: Can you give us an example of what a critical need would be in any jurisdiction?

Victor Mendez: This is just an example, what we call mini-stack here in Phoenix, it is where Loop 202, I-10, and SR 51 come together. That is a point of bottleneck. In my mind, that is a critical feature that needs to be addressed. It has not been identified in the current regional transportation plan, so it is not funded, not really planned for, but in my mind, it is a critical need.

Chairman Schorr: Just by example, commuter or some other form of rail between Phoenix and Tucson be considered as a critical need as a concept?

Felipe Zubia: Yes.

Chairman Schorr: What we are talking about really are concepts. We are not talking about particular means of solving problems, but just, this is a real problem area and a critical problem

area. The stack here, light rail here, another example, the Broadway curve and its recurrent difficulties? Solving that.

Felipe Zubia: You are correct. The way to accumulate that is of course through a building block approach. That is why we said that this is engineers work with local entities, because you have to have a basis for some of these high-level issues or needs.

Chairman Schorr: So it is critical needs/real problem areas.

Felipe Zubia: I think you had a very important point. That list of critical needs will be multi-modal. We will include transit options and other things.

Chairman Schorr: The actual framework studies are to be completed in spring 2009. What you are going to be presenting by the end of March of this year is a draft of what that would be?

Felipe Zubia: No, just a draft of the critical needs list.

Chairman Schorr: You will be presenting the draft of the critical needs list. The framework studies themselves then will not be completed until spring 2009, which again asks me, how could we possibly consider an election in 2008 with a study that will be finished in 2009?

Felipe Zubia: That is the debate.

Victor Mendez: We could plan all day and come up with what the actual end will be as far as planning is concerned, but in my mind, the way I am coming to terms with it if you will in understanding it, based on those critical needs, you mentioned the stack and mini-stack. The mini-stack we know is going to cost X amount of dollars. The framework study is going to go back and refine that. If you really think about it, there is no way we are going to be able to go into an election in 2008 without a caveat that, it is estimated that X amount of dollars are needed; however, a refinement of those needs is required through the framework studies and is required then to go back through some official approval process, whether it is this Board, or to the legislature, so that the voters are essentially authorizing a funding mechanism, but it isn't put into place until that final piece of the puzzle is done which is the framework planning. That is how they work together in my mind. It is not going to be the MAG model. There is no way it can be.

Felipe Zubia: There is one other item that I think is important to note here. The 2008 – 2009 question has not been resolved, for the same reason as, is it really feasible to occur in 2008 and be successful. You want to be successful. That was a major point of discussion yesterday at the Policy Committee meeting. The issue also came up at the Management Committee meeting.

Chairman Schorr: As one who was responsible as Chairman of the Regional Transportation Authority in Pima County to get a date ascertained for our election, I don't understand how you can possibly do an election before you go through the process of identifying what the objects are going to be of the bond or whatever issues you are going to have, and how you are going to fund it. That is the 800 pound gorilla which is always in the room. How do you fund these things?

How do you do that without getting community support? It is so counter-intuitive it makes me wonder if we are indulging in idle philosophical speculation. How do you fund something that could basically be so unreal?

Victor Mendez: One of the things that I mentioned yesterday, I see the difficulties in doing that. The problem is there is a funding issue now. We spent the first half of this meeting discussing those issues. Now what we are saying is that, well, let's wait to go out and ask for more money, understanding that there are the challenges of putting a valid coherent plan together. The issue with going with 2009, and I am not an expert on this, the issue is that you cannot go out and schedule an election. It needs to be a constitutional amendment, is that right, to have it in 2009, an odd year? So the question is, are we going to go amend the constitution to build a city which makes it even that much harder to change it in the future if you need to. It will need to be changed and modified in the future. That means every time we do that, we will have to change the constitution. It doesn't make sense from that perspective, then we push it off to 2010. We can't wait that long. Now we are talking two years from now before we even send the question. We are talking three years before we even start gathering funds for that. Is that realistic? Again, I don't know what the answer is, but less time is better than more time.

Chairman Schorr: It is, but I do not see how you do an issue of this complexity which would probably be the largest funding question ever presented to the people of Arizona. I don't see how you could do it. First of all, I don't understand how legally you could even get the paperwork ready for an election in 2008. My understanding is that one of the questions of any aspect would be to allow HURF funds to be used for other than surface transportation. That requires a constitutional amendment, because it is the constitution that says that as much as the statutes. So I think in any event, you are going to need a constitutional amendment if you hope to change that part of the constitution.

Victor Mendez: Maybe there is not a need to change that if we can deal with it in this election dealing with funding issues and where that money goes. I am assuming that the money will go for those types of road works. On your point regarding the timeline for putting that together, the reality is that no one sitting at this table is in a position to make that decision. That will be done at the legislature. It will be done on the MAG floor, so if that is where they are going to go, and if we take a position that it cannot be done, then we are just taking ourselves out of the game. If instead we know that that is where they are going, we need to be able, to the best of our ability, to put something together that gives them a rational basis to do that. In my mind, that is a given. That is the only way that we can have a seat at the table, this Board, which is the only reason why the sub-committee was recommended to be adopted because without that sub-committee, without having a seat at the table to be part of that process, it just passed us by. The election happens and we are again just a rubber-stamp Board which is what has brought this on in the first place. I am not saying that it is a perfect system, but what I am saying is that we have to deal within the system that we have, and this is what we've got.

Chairman Schorr: On the framework, the actually critical needs, aren't they for all intents and purposes already established for both Maricopa and Pima Counties as a result of the studies that they have undertaken over the years?

Victor Mendez: To a certain degree that is true. As you are aware for example in the RTA, you identified \$2 million dollars worth of improvements for 20 years, but your actual needs are I think \$6 million. You have more in terms of critical needs. The assumption is that you have to prioritize your needs within the RTA. The world has changed in the last three years. I am not saying that you want to go change them, but in the next five years things are going to change and you as a region may want to rethink the priorities. I think that is kind of where we are. We have identified, even your five year plan, the Board's five year plan, you have identified your most critical needs now, but we know that there are more needs out there than are currently funded. I think that is kind of what these frameworks were intended to be. To take us beyond a fiscally constrained or financially constrained concept to identifying what are the total needs out there. Like I said, the short stack here in town is not on any program, but it is a need.

Felipe Zubia: I think that what causes most of the apprehension, and it goes in all honesty to Victor in my mind is critical needs. At some point those needs are going to have to be shared with people. The question is the timing, and when obviously the Governor had a certain idea of what she wants to do. Everybody here is concerned that they are not having a part in that process and I think that is what is creating most of the apprehension out there.

Victor Mendez: That is true. The position that we are in as professionals in transportation, and I know not all the planners agree with me, is that when the Governor asks for critical needs, I could not in good conscience turn around and say, "Okay Governor, give me 14 months so we can go study this and I will come back in 14 months and give you a list of critical needs." We have been planning for decades. We have been doing our job. We have a good sense of what those needs are. What we need to do is to continue with the frameworks to identify the priorities and look at some of the smart growth issues, look at the tribal issues, blend a lot of these issues together to come up with a plan. I think overall we must have a sense of some of those needs. We don't have the specific projects. We may not even have a cost identified for, and I am making this up, I-17. We want to improve it. What is the cost? We may or may not know, but we have a sense for what some of those needs are. Now it is a matter of bringing together the parties to help us craft a plan. If we look at only transportation and what we have been currently doing in terms of developing transportation and developing our land use approach, the land use decisions, it is not going to work. That is why you must have this discussion as you continue the planning, to identify how this is really going to work. How are you going to modify those long-term issues? Otherwise, if we are going to continue growing the way we are growing, transportation alone is not going to work.

Chairman Schorr: When do you think you will be in a position to share with the Board your preliminary news of what "critical needs" are?

Felipe Zubia: After the Governor sees it. Sometime after March 31. The MPOs and the COGs are engaged in that, so they clearly will know what is in their individual regions. Certainly on that, we will provide it to the Governor first at her request.

Chairman Schorr: I think from my perspective, the work that Felipe and others are doing on that committee is vital and important, and I think giving it the kind of direction that we have I think is aiding in the process. I agree that we have little control over the 2008 election. I just

couldn't help but try to do some mental math in my head and seeing that something was not registering. I must admit that I have been meeting with the COG Coalition myself, not wearing an ADOT hat, but being a member of the Southern Arizona Leadership Council. I am cognizant of what they are doing. I would also, if you could, suggest that the committee meet in the county and other places as well in the future. It might be a good idea to get input from other jurisdictions directly.

Felipe Zubia: Maybe we could do it the same way we do the CIP which is to meet in southern Arizona and maybe northern Arizona. The meeting dates have been tentatively been set, it is just a matter now of finding facilities.

Victor Mendez: One thing I was going to suggest is that maybe we ought to provide to all of you a packet from yesterday's meeting. I do not know if it will all make sense without the presentation and all, but all the copies are in here and you can look at the list of activities that have been accomplished, the schedule itself, and so on. If you have a question, you can call me and I will try to clarify, or call Felipe, he is your point man.

Felipe Zubia: Just so everybody is aware, and I will take responsibility, for my part I have been involved with public process and public meetings enough to know that a sub-committee of the Board has to be posted and has to be noticed. There was a mistake in the agenda and they noticed it went out yesterday. It was not done in that fashion so technically the sub-committee could not meet, so Bobbie and Bob were not able to attend the first meeting unfortunately. Again, oversight. Joe has already taken this up with me. That is why I mentioned that we are going to have all of these meetings in the future advertised as joint meeting of the committee and the sub-committee.

Chairman Schorr: I just have one last question. In the three-pronged approach, critical needs, the actual framework studies, and the overall community support, where does the question of how the funding for this is going to be addressed?

Felipe Zubia: It is actually in that work plan in the packet that Victor is going to be handing out.

Victor Mendez: Within the critical definition activity, we will be defining financial constraints, so we will be able to identify existing revenue sources and what we project for the next 20 years. Within the planning process, there is a discussion somewhere in here on the financial options. I am not so sure that this committee is going to make the recommendation on A, B, and C. I don't know. There will be an analysis available on public/private partnerships, gas taxes, packages, whatever. What those revenue sources or options would bring to the table.

Chairman Schorr: Maybe a better way to frame the question would be, were there people from all of the areas where the locations were?

Bob Montoya: I don't know. We did have a sign in sheet. We can go through that and figure it out. I know that some from Pinal County were not there. Did we have anyone there from the Flag area?

Felipe Zubia: Matt Ryan was there from NACOG. Chris Spencer and Ken Sweet were there. Ken is on the management committee. Did we mention the way we structured this? There are three committees. There is the Policy committee which is a high level committee. There is a Management committee which is primarily the executive directors from the MPOs and the COGS, me, and a few others, and then there is the Regional Advisory Team, and the acronym is RAT, not a good acronym. We didn't name it, it just came. Those are more of the technical type people that understand planning, modeling, and all of that. We had a good cross-section. I can tell you we had at the Policy Committee we had Elaine Zielinski from BLM; she is the Director regionally for BLM. We had the US Forest Service represented. We had Mark Winkleman from State Land, John Wright from the Education Association, Paul Miller from the Transit Association, Tom White, Ken Poocha from Indian Affairs, Cheryl Lombard – Nature Conservancy, and Andy Lorenzi, Sonoran Institute. Time Coalition was there for business partners Marty Schultz, Robert Arnett, David Martin, and Jack Lunsford showed up later. Mayor Karen Fann from CYMPO, Matt Ryan I mentioned, Rick Mueller from C-GO, Mayor Paul Loomis from the Page area, Mayor Tom Rankin. FHAA with a there in the afternoon, and Mayor Cavanaugh and myself, so we had a good cross-section throughout the State. Cheri was there from MAG in the afternoon, and then Mayor Paul Loomis.

A MULTI-MODAL SYSTEM

Bob Montoya: In lieu of Mr. Travis' presence, Matt has graciously agreed to pinch hit for Mr. Travis.

Matt Carpenter: I am Matt Carpenter. I am the Interim Director for the Public Transportation Division (PTD).

Bob Montoya: Our topic of discussion today is an update on transit and rail and a perspective of growing small urban areas on that subject. I will open this discussion with multi-modal systems that have been in effect since the 1940s, but they were all private in those days. We can all remember Trail Ways, Greyhound, and the Railroad, so this is not a new concept. The new concept is that instead of being private because it is not profitable, it is public because we have unlimited resources for it. It's a joke! There is a handout in front of you that we have prepared. To cover the challenges from the perspective of the small cities, there has always been density, multi-modal transportation designed for high density areas. Unfortunately, Arizona has a lot of miles between the cities, so the densities are not there to really support that.

The other one is stable funding and that consistent source of funds, the distances between the communities, and the cost of private transportation. Private transportation, it used to be that you could buy a car for \$6,000 - \$7,000 dollars and it would cost you \$.29 a gallon to operate it and your insurance was pretty reasonable. Today with the cost of a car being \$30,000 and a gallon of gasoline being \$3 a gallon, a car today costs more than I paid for my first house. I paid \$7,000 for my first house. The other thing is preserving right of way. We know that we are going to need these corridors, but what is the perfect location for these corridors. Cost of fuel I have already covered, and what are the opportunities that are out there? The opportunities include our population increase, not only in the US, but international population that we are attracting here in the United States. We have more people coming to the United States who are used to mass transit, multi-modal transit. Europeans who are moving here, very few have cars. Most people

are used to taking buses and trains. The aging population. People, for whatever reason, cannot drive any longer. It is a huge thing for us. We are more independent. We are used to having cars, so the aging population is putting that burden on us. We need partnerships with ADOT and other local funding and other local entities. I think we talk about being in silos, I think that is something we need to break down. Victor talked about that fact, and Chairman Schorr touched on it. The City is a silo, the County is a silo, the State is a silo. Nobody talks to each other about what they are planning or what they are trying to accomplish, so we may have a plan in place at the City level that the State does not know about. Those silos have to come down. Those opportunities have to be on the table, a lot more communication.

Environmental issues, I think we are dealing with legislation that is outdated as Mr. Mendez Stated. What other opportunities are out there? I am going to turn the rest of it over to Matt. There are some maps in here and he can show you the corridors and the opportunities for mass transit and multi-modal services.

Matt Carpenter: Mr. Chairman and Members of the Board, I wanted to walk you through this first map which is Section 53-11 listed here. There are a number of different corridors and locations of services listed on here. I will work from the bottom left, the southwest portion. There is a series of connector programs that the State, buy the direction of the Board, had initiated to start rural to urban connections. There are four regional connector programs that we started. A Wellton to Yuma connection, Kachina Village to Flagstaff, Ajo to Gila Bend into Phoenix listed there, as well as Green Valley into Tucson. Those four connectors are listed on here as existing systems, regional connector programs. The first one is the Wellton to Yuma connection. It is in the southwest area of the Yuma region. There are a number of other connector options that are listed on here. For example, the connection system in the Topock region between Bullhead City, Kingman, and Lake Havasu in the green connection lines listed there. That is actually a connector system that we are currently developing a scope of work to actually plan and potentially operate with Federal funding and local funding. Another connector program and another green line to the right over near Holbrook and Show Low are connections between Holbrook and Show Low for regional service. Many folks need to get to jobs, health care, or government services in that region. We have made some headway in that regard as well. The city of Show Low and some of the regional partners have met with ADOT to develop a regional connection between those two communities. So that example there, we have made some headway. There is also some interest too as you look to the east to tie in White Mountain Apache tribe and St. John's potentially as well to provide some regional connector service.

Down south to the southeast, we have identified some other connection options between Douglas, Wilcox, Safford, the San Carlos Indian Reservation, and further west into Globe/Miami and into Phoenix. Some of the input that we received regarding that connection potentially, specifically between Globe/Miami into Phoenix is interest to tie those communities into the Phoenix urban area for medical services, particularly the VA Hospital. We have identified that as a potential connector program as well.

Back down to the southeast, Benson down into Bisbee, that particular connection would potentially make sense as those two communities continue to grow and services are needed.

Beyond the connector program, there are a series of Section 53-11, or general public systems that exist today. There are currently 19. The blue box listed there shows the locations of each of those systems. Potential systems are listed in the orange boxes. These potential services were identified during our process for identifying transit needs in response to the Governor's executive order from last year. We have gone through an internal process of identifying regional connector program services and also additional rural transportation program needs.

The second map shows existing Section 53-10 program systems. As you can see, the systems are scattered throughout the State. I will mention that these services do not include operating funding. Each of these grantees are receiving capital funds to help support elderly and disabled services but operating funding is not included. The potential growth areas are listed, but as you can see, many folks are being serviced by a lot of these 53-10 or elderly/disabled system vehicles. I wanted to make sure I pointed out that those are fairly well covered throughout the State. We have made a lot of use of that grant funding that has existed for probably 20 years now. Many communities are taking advantage of that grant for capital needs.

Chairman Schorr: What was the amount of the grant for last year for Section 53-10?

Matt Carpenter: I don't think I have that information with me. I apologize. (audience member) \$3 million.

Chairman Schorr: Just some clarifying questions, are most of the systems van systems?

Matt Carpenter: They are small vans, ADA accessible, where they can take wheelchairs, folks that are disabled for transport for healthcare or other services.

Chairman Schorr: Another question or subject to add to the equation. It seems to me in the past that what happens to localities that were hoping to get a grant but they could not come up with a local match. Does that happen often?

Matt Carpenter: It has happened, particularly with the tribal governments in the State. In fact, that occurred with the Navajo Nation at one time where they had a difficult time of actually allocating the funding to support this particular grant. There are many cases where local communities or non-profit organizations have a difficult time. They will apply for the funding and then have a hard time coming up with a local match to support these capital purchases.

Chairman Schorr: I heard through some studies that Arizona and perhaps the Tucson area have one of the highest distributions of elderly with transportation needs of any place in the country. I think the Drachman School at the University of Arizona did a study along those lines. Are you familiar with that study?

Matt Carpenter: Not with that study in particular, but I understand that those two regions being the fastest growing part of the nation in turn, have fast growing elderly populations too and needs in turn.

Chairman Schorr: When we did the Pima County Regional Transportation Authority plan and did some public outreach and surveying of attitudes, we found that the people in the retirement communities, for example Green Valley which was founded as a retirement community, one of their principle needs was the ability to get from the Green Valley area to the University and the medical facilities in Tucson. They were not focused on golf or water. They were telling us that their principle need at that time was the ability to get to places of education and health care was more important than others.

Matt Carpenter: That system actually of the four regional connector programs has been very successful in terms of ridership between Green Valley up north to Tucson. Many folks are tapping into the urban transit system and moving their way over to the airport or other locations within Tucson and also going to the hospitals in Tucson as well.

Chairman Schorr: We found that enhancing bus service in Pima County has been paying off rather large dividends in the southern Pima County area. Of course that has happened at the same time that gasoline prices are shooting through the roof, but ridership seems to be up rather substantially. Some of it has to do with the fact that we have enhanced those services in the Pima County area.

Matt Carpenter: Beyond the SunTran system in the urban areas of Tucson, there is also a great desire to have local circulators within Pima County and those are designed to serve the rural and urban communities internally for services that are local, and then also maybe some connections into the urban system. There is a lot happening in Pima County from the RTA passage.

This last map is a map showing existing rail service throughout the State. This is obviously for freight and also Amtrak service I believe is listed on here. I will ask Jim Dickey to address any questions regarding planning strategy for the State regarding rail service. I wanted to point out though that this is a map showing existing service, what is out of service today. In the Yuma County region for Union Pacific Railroad, there is a connection to their line that is out of service currently. You will notice also the abandoned lines throughout the State. There is also a tradeoff for potential passenger transport that is being thought through currently through the framework study process and also internally within ADOT through PTD. Jim Dickey is heading up that effort to discuss and have conversations with local rail companies to determine possibility or options for trade off between freight lines and passenger transport.

Jim Dickey: Mr. Chairman, Members of the Board. The map that you see here is primarily freight. Amtrak only uses the east/west corridors on the run to the Santa Fe corridor on the north side of the State, and then the Union Pacific corridor and the east/west corridor on the south side of the State. Amtrak does not actually attach to Phoenix. Believe it or not, Maricopa is the closest that Amtrak gets. The primary discussions that we are having now focus on, what is this north/south line that you see here from Ashfork up on the northern line all the way into the metropolitan Phoenix area. It is really a cul-de-sac. It is a branch. It is not a mainline service. We are talking to them about what it would mean to operate passenger rail along some parts of that, and they have some interest in talking to us as well. That corridor primarily serves the Grand Ave. alignment once it gets into the urban area, and most of the service is what is called west or south of Grand Ave. since it is a diagonal streak, so it would be a reasonably easy opportunity to

operate a passenger rail service in that corridor because most of their stuff only goes one way. We have also talked to Union Pacific about using, and it is kind of hard to see on this map going southeast out of the metropolitan area, to where you see the Magma Arizona Railroad, following that line to Magma and the south where it connects at about Eloy with Union Pacific and a mainline service into Tucson. We are talking to Union Pacific about what it would mean to use that corridor as a potential inner-city rail corridor. One of the Governor's Statements in her recent State of the State, that corridor is under pretty intense study right now. We have a consultant on staff and hope to have that wrapped up by the end of March. We are looking at several alternatives to that specific existing rail corridor. Interestingly enough, one of them is actually what you could call parallel to State Route 79. That is primarily State Trust Land through there as we see some opportunities to reengineer some growth patterns by using that corridor and some State Trust Land to establish a new rail which would somewhat parallel some of the existing rail which already exists, but provide brand new corridor service to make that inner-city connection. By the way, the inner-city connection we have designed with the concept that it has to emulate today's travel time, so some are less than 2 hours from downtown to downtown, and that service would actually serve both downtowns. It would take stops, but would approach 110 mph in some segments, all within FRA compliance without doing major improvements including being completely grade separated. We could do a grade within a grade cost environment with proper technologies. So we are looking really hard at what some of those options are and trying to deliver that information during the same schedule as the framework studies.

Chairman Schorr: I have just one question. Are the studies that you are doing the rail studies, do they fit within the framework of, or are they parallel to the three-pronged framework studies?

Bob Montoya: The important distinction is that it is funded separately. Jim had a pot of money. The legislature gave \$650,000 to be used for it, but he has set some of the same deadlines in the study so that it is parallel. I do not want to make it appear that it is part of, but we are working in conjunction and we will have it completed within the same timeframe.

Jim Dickey: I might add that the rest of the framework study process though is looking at other rail corridors, especially over a longer period of time, 40 year horizon, to make sure there are not other opportunities that should be addresses as part of those frameworks.

Bob Montoya: On the last page you will see a picture of the new hybrid electric bus that is going to be implemented with the Mountain Line Transit System in northern Arizona. That leads us to the solutions part of this presentation. I think Matt has touched on some of the Federal funding under 53-10 and 53-11, the 53-16 and the 53-17. Now I would ask Mr. Dickey or Mr. Travis questions. Historically ADOT has designed roads. How prepared are we to be involved in mass transit? Do we have the expertise?

Richard Travis: In terms of running a railroad, no, we don't have any experience. Building a railroad, no. But we do have experience in planning. What we are in the process of with the addition of our new planning director who will be here, the 27th will be his first day, and he is looking at restructuring our planning division as it has evolved to truly be multi-modal planning. We had a plan in the division some years ago. We split public transportation out of that. What we

found as we did our response to the Governor's Executive Order is that while we have a very good understanding of mass transit, and we certainly have a lot of history building roads, how those two interact and helping plan together was not as robust as we want it. When we do our planning, sometimes it is in silos. We plan a bus route, we plan a bike route, and we plan a road, but how do we plan those together so that we understand the tradeoffs? Part of what we will be doing over the next few months is reorganizing our Transportation Planning Division to truly do multi-modal planning so that when we look at a corridor, it is truly a transportation corridor, not "this is where the road goes, this where the bike path needs to be." As an example, I point to what we have done in Sedona. That project I think is an example where the road is being redesigned and rebuilt. But included in that are bike paths and pedestrian paths, the roundabouts were engineered understanding there would be a lot of foot traffic that will have to cross some of those intersections. So that is truly the way we want to do some of our planning for the future, is looking at a corridor and understanding that there are multiple transportation needs within that corridor and planning accordingly.

Bobbie Lundstrom: Do we have any cities that we are looking at or areas that are dealing with the same kind of issues that we are dealing with now that maybe dealt with those 20 years ago as models.

Richard Travis: We are using States as models. Other States where, and I will point to Texas as one example, and that also happens to be where the vision is coming from, where they have integrated multi-modal planning in their process and have a more robust system. Houston has a new light rail downtown. They have a uni-rail that goes out to the suburbs. They have some toll roads as well as several greenbelt bike paths that integrate into certain parts of the community planning that they have done. We have looked at other States too as our models as opposed to cities.

Jim Dickey: Maybe to add to that, I would not want to discount the things that have happened in the past, but I think we have to recognize that the State is a car-evolution State and most of its statutes are focused on roads and how things are build. Much like HURF. HURF is designated for highways much like many of our other laws are very specific to cars and highways. I-10 is a perfect example, from the Deck Park Tunnel west all the way to 79th Ave. Back when that was built, it had a transit designation in that corridor which now with Prop 400 in Maricopa County, that will come to fruition. That will most likely be either bus, rapid transit, or light rail corridor. So there has been some work conceptualized to do that. Now when we look at transportation corridors from a highway perspective, we are trying to also look at them in terms of bridge heights, bridge spans, those kinds of technical issues to make sure that when we design that facility for a roadway, at some point it may be able to accept some other type of transportation mode within that same footprint. We are making progress in that regard, but it takes time.

Bobbie Lundstrom: No subways?

Jim Dickey: Subways have been looked at in the metropolitan area here. There are some significant infrastructure barriers to make that happen in this metropolitan area. There are some major north/south drainage issues in the metropolitan area here that really complicates underground. Plus underground, typically at least in a rail environment, at grade, is the least

expensive, elevated is the next most expensive, and underground is the most expensive, in that hierarchy, and sometimes as much as 2 – 3 times more expensive.

Matt Carpenter: If I may add something regarding an evolution that I have experienced in my short time in planning is to see some rural communities actually considering transit and its effectiveness to serve their community and solve congestion issues. In the City of Maricopa, I am working currently to start a connector program to tap into the Phoenix region. At the same time as they are thinking about this connector to start service to support folks to get back and forth for jobs or other services, they are also thinking about something called transit oriented design and how that interplays with their developments in their community and creating transit hubs and things of that kind that we support. We are interested in serving that multi-modal need and developing that kind of a system for our rural community.

Bob Montoya: One more question. Are their opportunities for partnerships in these, where the State would partner with established bus company or someone that is in the business?

Richard Travis: That goes back to the best opportunity that we have is the PPP bill that Gail alluded to with ASU. That is the most comprehensive PPP bill and would enable us to have a wide variety of partnerships.

Victor Mendez: Just a comment on PPP bill and public transportation. I did meet with a consultant yesterday. They have some ideas about how PPPs may work in a transit arena, especially with the passage of commuter rail. We will be hearing a lot about how things could operate under a PPP if in fact you wanted to get into the public transit arena. There is something to be recognized with public transportation. It is a subsidized system. Probably all systems are. So the question becomes as you move into that arena is that you will have investors that will be willing to return on investments. Those are factors that have to be considered that I think are a little bit different than a toll road or something like that.

AWASH IN FREIGHT

Dale Miller: I am Dale Miller with the local Phoenix office of Wilbur Smith. Joining me today is Pam Keidel-Adams. She is an associate with me in the office, particularly on the aviation planning side of the business, and Sam Morrissey from our L.A. office. Sam is currently involved in a great study for multiple counties in southern California which overlaps into Arizona. Pam is going to tell you a little bit about the multi-modal freight currently underway in Arizona, and Sam will then talk about some national trends and perspectives on freight movements. I would them be happy to facilitate a discussion.

Pam Keidel-Adams: Thank you Chairman and members of the Board. I am one of the members but not the leading freight expert on the team. The purpose of the freight study here in Arizona is to advance freight as an integral part of long range planning process. To date, we have prepared two technical memorandums. One has addressed demand, what is going on with freight, all modes, highway, rail, and air. The first technical memorandum looked at the demand side. The second looked at supply. What is the infrastructure, the inventory of facilities available related to rail? What is going on with those facilities today? The next elements will focus on strategic

directions, looking at forecast of commodities, identify themes, future planning, system performance, and the specific impacts on industries of freight planning. The relationships of freight to economic development. Developing a freight planning framework, and then developing specific freight performance indicators. The purpose of the plan is not to come up with very specific recommendations, similar to what you have been discussing in terms of the critical needs. It is not to come up with projects, but more themes and areas where freight planning should be integrated within the other areas of planning within the State. I also wanted to mention that Diane Kresich is the project manager through transportation planning that is managing this project. There is a private sector workshop, Engaging the Private Sector, that will be held on February 20 that ADOT is working with FHWA. Wilbur Smith teaches that course. We have someone separate that will be leading that course, but it is a very good opportunity to talk about how we engage the private sector into the freight planning process. Then ADOT is also doing a peer exchange with other States regarding how they are integrating freight into other planning, and that is the next day on February 21. Diane wanted me to make sure that I mentioned those two items.

We are addressing the three, highway, rail, and air. We are working with the MPOs and COGs on the study. They are on the technical committee and the plan is to be done with this by early summer.

Sam Morrissey: I am Sam Morrissey with Wilbur Smith Associates, Los Angeles office. As Dale said, I am going to give a brief overview of the national perspective on this movement and then talk a little bit about how it relates to Arizona and tell you what we have been doing in southern California. First of all, on a national level, we have really become a nation of consumers. We are a huge market for Asian trade. International trade, particular from Asia, is going to expand over the next few years. In fact, by 2030, USDOT has put forth an estimate of 60 million 20-foot equivalent units coming into the west coast. That means that even if you expanded every port on the west coast of the United States, built new ports in Mexico, expanded the Panama Canal, and built new ports in Canada, we would still see a huge influx of trade coming through the existing channels which traverse through Arizona. 66% of the goods in the United States move by trucks. Trucks are a critical component. You see them every day on the highways. That results in a lot of challenges and impacts, particularly in terms of congestion, but also in terms of environmental impacts, impacts to the economy. The logistic sector itself, because we are such a large nation of consumers, is the second fastest growing sector of the economy. It does play a critical role in terms of jobs and tax input. Last is funding. There are critical funding gaps that must be filled.

In terms of Arizona, Arizona is both a destination and a bridge to other places and points east. Earlier today you heard that the population growth is almost explosive here in Arizona. By 2030, some of the forecasts show that the population in the Phoenix and Tucson greater metropolitan areas will be almost equal in terms of scale and size as the current greater Los Angeles area population. Right now the Los Angeles area population takes about 20% of the goods that come into the ports of Los Angeles and Long Beach and uses them there, so you would be looking at the same volume of usage here. This will result in an increase in the demand for goods. Rail traffic will increase. Truck traffic, however, will still remain the dominant mode in Arizona. That is mainly due to the rail industry standards. They like to move goods over distances greater than

700 miles and the ports are less than 700 miles from this location. Also due to the fact that you have a large market here as well as the fact that trucks can get to more destinations than rail.

In Arizona itself, about 55% of your trucks are thru trucks that are moving through the State to other points. 75% of your rail traffic is thru. 9.8% of the economy of the jobs and businesses in Arizona depend on your transportation system. Also, Arizona is the fourth largest trading partner with Mexico behind Texas, California, and Michigan. So here in Arizona, it is causing great challenges in terms of congestion. On I-10 and I-40, you have between 20% and 40% trucks daily. I-40 has that higher end. Here in Phoenix your stack interchange on I-17 is the third worst bottleneck for trucks in the nation. About 1.6 million hours of delay annually for trucks and that impacts the economy.

Also safety issues. In 2005 the likelihood of a fatal large truck crash on an interstate in Arizona was 54% higher than the national average, so the mix of trucks and vehicle traffic is causing quite a challenge. You also have the associated environmental and community impacts, economy, and funding as well.

In southern California, we have been doing what we call the Multi-County Goods Movement Action Plan Study. Southern California is the link or gateway between the international containerized market and Arizona is the bridge to the rest of the nation. In fact, Los Angeles has been calling itself the loading dock of America lately. In our Multi-County Goods Movement Action Plan process we involve seven counties, Ventura County, Los Angeles County, Orange, San Bernardino, Riverside, Imperial, and San Diego Counties. So stretching from the Mexican border to the central valley and all the way east to Arizona. The approach to this action plan involves these seven counties coming together to identify the challenges and to identify actions to improve the movement of goods. The Action Plan came up with four sets of actions. The first and foremost that we heard was to accelerate the mitigation of environmental community impacts. The second was to reduce congestion and improve mobility. The third is to improve operational efficiency, take the system today and make it work better. The fourth was to develop equitable public and private partnerships in order to get a fair share of funding contributions and pay for these environmental mitigation measures.

How to address the industry. You heard Pam mention involving the private sector. From the southern California perspective, the way to approach the private sector is to look at the goods movement market as a whole, to segregate the modes of travel within that market. Typically goods, when they are loaded off the docks at the ports of Los Angeles and Long Beach, leave the region either by train or by truck. We have primarily focused on what is called the trans-loaded inter-modal. These are goods that get onto a truck at the ports. They move to an inland destination. Some of those inland destinations are within the study region of southern California. Some of them are as far east as Phoenix or Las Vegas. The critical component is that they are using at least one truck trip to go between those points. Our action plan focus is on what we call the simultaneous and continuous improvement of both the goods movement and transportation system as well as the environment. By focusing on these core segments, we feel that we can focus on facilities such as dedicated freight guide-way systems, ways to move higher volumes of trucks between single point destinations. The result of this action plan in southern California is that southern California has formed a partnership. In fact they have formed the Southern

California National Freight Gateway Cooperation Agreement. We have seen some bold actions in southern California and their pursuing of these trade corridor improvement funds which was a recent bond measure in California. You have seen the first of its kind, the bonding together of the seven counties in southern California, where instead of competing for projects and funding, they are identifying a set of priorities and moving forward collectively. You are also seeing increased stakeholder coordination, and last, involvement of the private sector. Involving the ports and the private sector early in the discussion. You are seeing that currently in Los Angeles and Long Beach where the ports have instituted a container fee setting. We think this is a good approach and I would like to offer any discussion or answer any questions on how that approach might work here in Arizona.

Felipe Zubia: I have a couple of questions. Did I hear you correctly where you said the rail is less used from points in L.A. and Long Beach to Arizona because it is too short? They like to transport things further.

Sam Morrissey: Yes, in terms of distance.

Felipe Zubia: With that being the case, is there any way to reverse that trend? Encourage that not to occur? To help reduce that truck traffic on I-10 and I 40? If we wanted to do that, how would you recommend that we do something like that?

Sam Morrissey: About 4 – 5 years ago, we completed the Interstate 10 National Corridor Study stretching from the west coast to the east coast. In part of that study, we looked at what would happen if you put more goods onto trains. The sheer fact of the matter is that even if you double or triple track these train routes, which the railroads are looking at, it would only impact a small percentage of the trucks on your freeways. Trucks go more places than trains. Just from a business perspective, we talk about involving the private sector. A key component to address this issue is to look at how they do business. It does not make business sense for them to send trains to short haul locations. They would rather send to point to point destinations over long distances like Chicago or other points further east. You could see some reduction, and likely as we move towards the future and we talk about that 60 million number, that would be an increase in goods moving by train, but we cannot downplay the likely increase in truck traffic as well.

Felipe Zubia: With that being the case then, if that is not an option, how do we use that to our advantage and parlay that into an economic development opportunity and maybe capture some of what may be going to other places, whether it is jobs or employers here in Arizona? How can we use that to our advantage?

Sam Morrissey: When I spoke of segmenting the modal market and breaking out the way the goods move, that trans-load inter-modal market is probably your best target if you want to pinpoint a segment of the industry. These are goods that arrive in a large container, then they are shipped by truck to a warehouse where it is separated and then the goods move out by truck again. As part of our study in southern California, we looked at what we called a dedicated freight guide-way system, moving from the ports to an inland destination. Our study focused on something in the high desert area of Victorville or Barstow. What that would be, and you could call it a truck/toll lane, you could call it a MAG lift system, something to shuttle, not as a rail

movement, but to shuttle more as a truck, and it could be a series of trucks or these long combination vehicle, multiple trailers, from the ports to an inland destination where they are then distributed. I think that has an opportunity here in Arizona. In fact, we met with Yuma and the Yuma Metropolitan Planning Organization to talk about this concept of inland ports, an inland center to distribute the goods, to bring the goods into. I think that is probably a very viable option. Mark Burn, who is involved in this study, is very interested in that here in Arizona.

Pam Keidel-Adams: Mark Bearns, he is the project manager for the freight study. He is also recognized nationally as a freight expert. He participates on the Transportation Research Board and is very engaged in that process.

Felipe Zubia: Is that a new concept, an inland port?

Sam Morrissey: No, it is not a new concept at all. It has taken hold on the east coast. There are a couple of examples on the east coast. It involves a lot of private sector coordination. Again, you are developing a market around this. You cannot just say, here is our inland port. There are many different ways that it can take shape too.

Dale Miller: If I could just interject on that. The whole concept that is being looked at in southern California has a lot of viability for Arizona, and if Arizona wanted to partner with southern California, there would be an opportunity to build on from what they may put in and extend it over into the State. I listened to the discussion earlier on public/private partnerships and certainly, building a new infrastructure like that, whether it is freeway or on a separate right of way, you are basically building a railroad without rails. For the short haul distances that are not profitable for rail, to be interested in that 350 mile distance. So there is a huge opportunity for public/private partnership to invest in infrastructure, and serve the local market that is not practical for the rail.

Bobbie Lundstrom: Let's say they come in at the port of Long Beach, then they would go to a distribution center. Would they clear customs at the port of entry like Long Beach and then be taken to the distribution center, and then from there they would be distributed accordingly, like to Safeway for example or like Wal-Mart does?

Sam Morrissey: There are certainly different options. There are security reasons for clearing customs at the ports, but there have been options discussed where they would clear customs where it would be unsorted containers just off the ship and onto a ramp straight to somewhere where it is handled. There is a lot of congestion at the port. We talked about that third action of improving operational efficiency. They just cannot move the boxes off those ships fast enough and get them out of there.

Bob Montoya: Is Yuma the only location? Are there any other locations?

Sam Morrissey: In our study, it was very high level and we did not want to pinpoint on a specific location. Yuma mentioned that it was something that they would be interested in. I am not sure in the Arizona study.

Pam Keidel-Adams: We are not to that point yet in the study. As I said, we have completed the supply and the demand, but not actually the action items. That is the next phase.

Dale Miller: The opportunity exists for Arizona particularly Phoenix and Tucson megaplex to put into a facility that would connect with the Long Beach, Los Angeles ports as well as into the ports on the Mexican coast. You are talking about truck facilities that are very limited in on and off. They are basically straight shots. You are talking about truck facilities that are carrying 6 – 8 trailers behind them, so that is a huge opportunity for Arizona to take some leadership within the State to propose such a thing and maybe work with the private sector to fund and build such a facility.

Chairman Schorr: The inland port concept is being studied now in southern Arizona. Tucson Regional Economic Opportunity Office has been looking at the concept of inland ports. They have promoted for many years different sorts of ways. At first it started off as some sort of concept where we obtained tax treatment by bringing goods into an inland port, but now they have evolved away from that and are now looking to take advantage of the problems that Long Beach has had. As a matter of fact, the Long Beach people have been to Tucson and have made a presentation on why it would behoove southern Arizona or any other area of Arizona for that matter to look into the concept of developing inland port facilities. They are being so overtaxed at the port of Long Beach that they cannot deal with it unless some of those goods are sent to points of distribution away from Long Beach. It is an opportunity for Arizona.

Dale Miller: Sam, do you want to touch on the cure facet because that is an interesting facet that could be critical to Arizona.

Sam Morrissey: One thing we talked about, operational efficiency that Long Beach instituted was something that was called Pier Pass. It is basically an electronic transponder system that is installed on the trucks that go into the port to pick up the boxes. It was designed to shift trucks to off-peak. It charges a \$50 charge per container for trucks that enter the port during peak hours. Peak hours are from 3:00 A.M. to 6:00 P.M. If a truck chooses to enter after the peak hours, between 6:00 P.M. and 3:00 A.M. no fee is charged. By instituting this system at the ports, they saw a 30% shift to off-peak travel, moving those truck off-peak. The Pier Pass system in concept could be applied to any type of facility, almost like congestion pricing charge or a toll charge where you could vary that charge by time of day to change your truck travel patterns. It was set up by the ports but it is actually run by the shippers. It is run by the Targets and the Wal-Marts themselves. So the industry is very amenable to it because they can monitor the flow. They know where the funds are going. The funds go back into the program to fund the program and port improvements. That is a good example of public/private partnerships can work well is to make it equitable to the private sector to be involved and provide a public benefit by moving truck travel.

Chairman Schorr: Would you have your notes in written form?

Sam Morrissey: I have them in very rough note form, but I could probably provide them in written form.

Dale Miller: If your are interested, the workshop that Pam mentioned, we do have the Powerpoint on that which could be provided to whomever as well as the TRP presentation that was done in January.

Chairman Schorr: If you could provide that, I would especially like to have your comments.

TIME Presentation by Martin Schultz

Martin Shultz: My name is Martin Schultz. My job is Vice-President of Government Affairs working in the west office for the corporation of Arizona Public Service Company. My career includes 25 years and three mayors of the City of Phoenix. I think that is where I cut my teeth and began my interest in infrastructure, generally transportation. Over the years, as a business advocate, I have been involved one way or another, starting with the years where we had 15 miles of freeways. This was in the 1970s and early 1980s. I was then a Junior Partner with Mr. Barr, majority leader of the legislature, a fellow named Jim Simmons, and even a young Chairman of the Greater Phoenix Chamber of Commerce named Jon Kyl who became a United States Senator, and a number of us got together and in frustration pulled together a transportation plan where the County of Maricopa which was supported by the infamous half cent sales tax which you are all aware of. Many were involved in that, MAG was and I believe the City. Then, over the years I was involved in the successful and ill-fated efforts. The ill-fated Val-Trans. I am proud to say that we actually have the light rail system paved, but that was obviously too big. It was \$30 billion over 30 years. I guess we either did not sell it right or we were not ready. Then Governor Hull appointed me as Co-Chair of Provision 21. Those of you who have been around know that extensive project. The resultant study working with ADOT was about 10,078 projects, which were agreed to by virtually everyone in the State. We used MAG data, we used COG data. We had a process. We got with the local elected officials at that time and said we need a Statewide comprehensive program. Here is an approach. There was a lot of data. We costed it out. Almost to a local elected official outside Maricopa County, they said as some people said yesterday in the Building Quality Arizona Program, I am sorry, I am an elected official, I cannot stand up and support any revenue source. If I am understating that or overstating that, I would be glad to be corrected. The Mayor of Florence yesterday got up and was very articulate. He was speaking for many of his colleagues around the State. That is pure politics. He agrees with the need. He knows the need is acute, but he is talking politics. He is not alone. I would say as a person who is involved with infrastructure on a regular basis, whether it is electricity or transportation, that is unacceptable. So the frustration continues, but we do make progress.

Out of that meeting of frustration came the need from the Maricopa County standpoint establishing a process with MAG through the legislature which took four years, and in a generous description maybe three, to get to the point where we could go back to the point where we could go back to the ballot with Prop 400 which you are familiar with and are now utilizing the monies. We used the half cent sale tax. It was an extension. It was a political decision. It was not the most technical decision, because if I could have Eric Anderson on a good day and he know he would not have retribution, he would I am sure, demonstrate that we needed a lot more to do the job correctly. That was only from Maricopa County. In other words, hindsight says that if was a perfect world, we would have extended that sales tax at a full cent, not a half cent. But

we make a political decision. This history is important, because as we get to where we are, and I have tried to demonstrate that we could do better. That was successful, Prop 400. Still, we do not have the Statewide transportation plan. What you as a transportation Board largely responsible for it are doing is dealing with gas tax which is neither being, I do not want to say stolen, but there are raids on the gas tax in the Arizona legislature from the purpose that many of us thought it was intended to build transportation to other uses which some lawyer agreed was constitutional. In any event, it is wrong in my opinion. I think it is fair to say that the TIME Coalition, and David Martin is not here, Jack Lunsford, Rock Arnett, but they agree that we are into local service transportation. Why is that? Because our analysis which is consistent with your analysis, and I am sure that Victor at one time or another has shown you the numbers. You know the numbers. Let me give you the latest analysis I saw is that the conservative population projections in Arizona between 2000 – 2010 is a 38% increase in population. Between 2010 – 2020 it is a 26% population increase, and by 2020 – 2030 it is another 19% increase. The reason I give it to you like that is because probably nobody else has. They usually tell you that at the end of this gig is 2030 and we have about a 12 million population in Arizona which is about double what we have now. Then if we have time, and I am sure you have probably already done this, you can go through the conservative calculation on what the congestion equation is depending on how quickly we spend the monies that we have available. Then John will talk about the significant degradation and deterioration of the effectiveness of the gas tax.

I happen to be serving on a commission where I was appointed by Mary Peters and the President that is financing service transportation to the infrastructure of financing division. Our interim report is out. We document this change dramatically. This is a big deal for Arizona. It involves the other States as well as the nation, because, in the good old days when we relied on the gas tax, and maybe we had an average mile per gallon of 19 – 20, then we could calculate what the take was going to be. But even if we have increases in usage, we also have the substantial increases in mileage, so the gas tax right now from a Washington perspective, is broke in this regard. They have anticipated needs, and the revenues in 2009, from a federal standpoint, will not sustain that. Furthermore, if you look at the President's budget as a condition of the Federal budget, you know that this is going to begin to affect the States in a variety of ways including Arizona. When we look out at the next 20 years, we are relying on the federal funds. The gas tax is a problem. Obviously we have the half cent sales tax in place. We have the highways. We have our own gas tax for Arizona, but it is being raided and being deteriorated by the same factors, that is mileage is getting better.

Having said all that Mr. Chairman, the TIME Coalition, which to my way of thinking, is just one more business advocacy group, and we have done this before, because we are moving forward. Here is our evaluation of where we are. This is what our friends at MAG and COGs around the State are doing. Our evaluation from a TIME standpoint is, number one, they have actually pulled together with COGs working with you. This is huge, because the statute does not require any of this. They are doing that because they know that a Statewide deed is necessary and that is huge. Number two, the professionals have put this together, and I do not quarrel with any aspect of this. We have looked at it from TIME standpoint. We are not interested in micro managing, whether there should be a stakeholder group here, or here, or whatever. But by their own analysis, this complete program of developing a Statewide set of framework studies and ultimately a comprehensive Statewide plan, although I am not sure if that is the end result, but

maybe you can get some clarification of what the end result is, but these framework studies would be good for us. That would occur, according to their own schedule in April 2009. If you then put a political equation beyond April 2009, so you are not going to get anything done in the 2009 legislator on the assumption that you are going to refer this to the people of the State of Arizona, then you go to 2010. If that would work, that would be 2010. Our analysis, and I think this is corroborated by your own data, if you now have a revenue source identified, then you are able to accelerate the Prop 400 and under activity that is a good thing. If you are able then to begin to put in place, if you will, the plans making your decisions as you do for additional service transportation, bypasses, widening of the gateway, freeways, being responsive to the discussion that was just held with regard to freight. All of these things come into play, so now we have theoretically the adequate money in 2010. You know, depending on the kind of project, significant progress projects are going to take you from 5 – 10 years to actually provide that service for our citizens. Assuming that it the case and it is 2008 today, we are talking about a system, planning, stakeholder process, the real world, right of way acquisition, and all of the things one has to do, air quality, to 2018.

I am going to use APS as an example. We are going through the same thing. We just filed a resource plan. If we cannot move faster than that and get permission from the regulator, then we cannot build anything. We cannot build additional power plants and the lights go out, literally. There is just no other way to do it. As far as transportation is concerned, it is a different deal. All we have is congestion. The congestion that we have now goes from level C in some areas to maybe D in some areas at some times of the day to something significantly worse, then you can just have all of your economists and UPS and let me tell you what that does to the economy. We are talking about real economic consequences. This elongated study has consequences. This elongation has consequences. What to do about it? That is what TIME Coalition is proposing.

We talk about the Governor of Virginia and all of these others who represent the Governors, they will take this all down and see how close I get, and I will either be in trouble or they will send me a Valentine's card. I do not care about being in trouble and I do not care about the Valentine. Let me tell you, if you read the Governor's State of the State, and you hear what she had to say to local governmental officials, business folks, and others, you know that she is focuses on the investment and infrastructure tied to the growth score card and she has a time delineated now. She is a smart politician, so she says, let's really investigate this. Let me say it from a Marty and TIME standpoint. It is unacceptable to wait until 2010, 2011 to put additional financing for Statewide transportation needs in place. That is unacceptable from an economic standpoint. It is unacceptable from a citizen standpoint. And our business coalition and our TIME Coalition, and I could give you the names of all the organizations, are saying, all of you who are responsible, you the Department of Transportation, the Governor, the legislature, others, have got to come together on a process that is more efficient than this. Otherwise we are going to suffer the consequences. That is really where we are.

When we talk about the legislature, specifically, the Chairman of the House Transportation Committee is promoting a bill that would say that in a future transportation election, we would vote by mode. You know the bill I am talking about. I talked to Representative Biggs about this. He is doing nothing else as far as I know, as far as he is willing to reveal to anybody. He is not holding any hearings on any of the funding or any of the needs. Over in the Senate, Senator

Gould has said he will not hear any comprehensive bill. He will not refer, he will not even accept a referendum in his committee to be heard. That is bad, that is big-time bad. The business community, TIME coalition, there is no nice way to say this, but we are getting a little intolerant to this kind of bifurcation where you have the Governor advocating and we support that. I know that in your heart, you would love to have the money available, and John will tell you about the needs, in order to produce a project, because I have no doubt that several of these projects are on the shelf. You are able to bond for them, you just need the revenue stream. We are going to continue at TIME Coalition to advocate that our State gets its act together. As difficult as that is, as messy as that is politically, technically, and from a statistical standpoint, we have to nail it.

I realize that there is a lot of competing interest. For example, our friends in the rail business, Rick Simeneta and group, they would like to be able to complete their system in a timely manner, 20 miles by the end of 2008, go through the requisite audits that are required, and then they would be in a position to say, now we have confidence, here is an additional increment of money that would take us to the next increment of the rail. The counties, including Pima County that have already tried, failed, tried, and succeeded more than once, are doing similar kinds of things. From a State standpoint, there is not a coordinated sort of effort here. Statutorily you have responsibilities, MAG has responsibilities, counties and cities have responsibilities.

Looking at it from a user standpoint, the requirement is to develop a funding source for the statewide transportation system and the population increases are conservative. Our recommendation, and we make the recommendation yesterday and we are going to continue to make this, is that the members of the legislature who are responsible for this kind of thing, be they chairmen or leadership, persons in the Executive Branch, representatives of the State Transportation Board, representative of Mayor Cavanaugh's consortium, we have to come together as a State and a set of responsible leaders and get this thing in a timeframe that is more speedy than 2010. Otherwise, we put ourselves in a big hole. In the 1970s we did that. There is nobody here that that can remember carefully back in the 1970s, but Joe remembers. We were in a situation in this county, let alone the State where we had 13 miles of real freeway. The rest were State roads. Somehow our process did not recognize that we were going to grow. There were some people that said if you do build these freeways they will come. Come on, we're over that now. Now this process and this urgency that I am describing is only appropriate for the future economy and for my grandkids which is what motivates me to ask you to petition your colleagues and our friends from local government and planning to look at this and determine how we can accommodate the thorough and complete planning and the political requirement that we really do need to get this done sooner than later.

Why do we go to the ballot? Because the Arizona legislature cannot count to 16 and 31 with regard to people who are willing to vote for the revenues required. We have always tried to do that and have always failed. So in the past, the best we could do was referendum. And then we got into this thing about referendum. They do it in Tucson, we did it on a county by county basis, and now we are contemplating that at the State level. We don't have to. Our legislators could vote for the revenues. There is nothing in the constitution that prohibits that behavior, but far be it from me; I am not even a registered lobbyist to think that we could get that many votes. We talk referendum, but I think that is a waste of time. It is something that if we could do it the other way, a more efficient way, that would be even better. We have not seen that kind of coalescing

together, so our pitch to you is that we want to help you and others come together so that this timeframe of getting the revenue source, getting the approval, and then letting the professionals who actually build these roads through the Department of Transportation at the county and local level to put these systems in place.

I did take the liberty of stealing as much as I could from the Department of Transportation in terms of revenue, projections, and needs. I used Provision 21. We updated some things. We have our own economist who does a little bit of work. I actually laid out a program that, this is just me, TIME Coalition has not done this yet. John has not seen it, Victor has not seen it. This really is an analysis of our needs going through 2030 and an analysis of what we anticipate in terms of State revenues and federal revenues, and then identify a number of approaches including privatization, real money, bonding strategies, and other strategies to put additional funding forward for both State highways and freeways and freeway acceleration and transit as well.

Chairman, that is the dime story and we would like to see the Board analyze our data and determine if this issue is right and help join the party to see if we can move this process along faster than 2010, 2011, and 2012.

Chairman Schorr: I have a few questions. We would all like to come together. Certainly the ADOT Board, the ADOT staff, and I think from my conversation with the Governor's office, nothing would please us more than to come together and be able to enact meaningful plan to get some of these systems planned and built. But there are some problems which, frankly, I have not heard the answer to. Assuming for the moment that we agree on what the critical needs are, and assuming for the moment that we had the framework studies completed, and they were completed on an accelerated basis, let's say we could get them completed by year end. And assuming for the moment that the Board, Department, and Governor's office agreed on what the probable new revenue sources ought to be, how do we get past the fact that the legislature, and they made it quite clear, that they have no intention of facilitating or putting the question to the voters or will ever be voting on any portion of these revenues?

Martin Schultz: Mr. Chairman, it may come as no surprise to you, but I think I have an answer. First of all, let's eliminate all of your assumptions and let's get the parties that you described, and by the way bring the legislators into it together in order to get an agreement on how to accelerate essentially the professional work that is going on, and it can be done. Once we have a more clear plan that is data driven and need related, not just political, I feel that the TIME Coalition and the parties that have come together to pull this together can affect change in the legislature. One of the things that they are arguing now is where is the plan? They are arguing, where is the financing? Now, it is true that they are not lifting a finger other than to look at privatization which maybe as soon as next week to become an issue. I think the answer is, those who feel compelled to respond to the data, that we need to get these dollars and the facilities in place sooner than later need to come together. You invite the legislature into this process. You invite the media. I think there has to be media scrutiny pressure. Outside of this room and outside of MAGs, and the consortium, there are users out there, about 6.4 million people. They are users and they know. How do we know that they know? Because one of the things that the TIME Coalition has been doing is polling. We know what the demand is and we know where the votes are, and the propensity around the State for supporting this comprehensive plan we speak of. I

think it is time that we don't use the legislature as an excuse. I think we are the problem because we, and I am talking about the TIME Coalition too, we have not been as clear as we need to be. I hope I am more clear today. I think you, based on your questions about assumptions, were very clear too. I think that there is a time for action and that time for action is now. Because if it is not us, who is it going to be?

Also, by the way, I think, I cannot speak for the Governor, but she has plenty of representatives here, she has demonstrated time and time again her support for moving on the infrastructure and financing. She has said it to the business community, to the TIME Coalition, and her staff has been supportive; Victor and his staff have been very helpful in our efforts. I don't think there is any underestimation of the ability of the Executive Branch. With regard to the resistance from the legislature, I have had resistance before from the legislature, and I just think if you put together a solid plan, as we did in 1985 and in 2004. At that time we thought we had the luxury of time. We did a process with TPC. I don't think we have TPC time anymore, unless you want to wait until 2018, 2020 to put together these needed infrastructures in place, which we don't.

Chairman Schorr: Speaking personally, I sure wouldn't. Any questions? As I see it, what you are basically saying, and I want to make it clear so the Board can understand what you are coming to the table with, you are saying if we could get the critical needs and the actual framework studies completed in time for an election in 2009, that the legislature might be able to muster the will to set this for an election as either an initiative or a referendum?

Martin Schultz: That is my judgment. By the way, things do change. There is going to be a new President of the Senate. There are many members who are running for something else, who are deciding to run for another House, deciding not to run, so there are many changes going on here, but no, I am confident. If we all come together, the parties that you talked about minus the legislature, but I don't want to minus the legislature, I want to involve them in the early stages whether they want to or not.

Chairman Schorr: As an observer and not a distant observer, as an interested observer, I was at the Phoenix Chamber of Commerce meeting several weeks ago as you were, Victor, and Bobbie, and I heard the Secretary of Transportation make a passionate plea for better transportation. I heard the Governor make an equal plea on a different perspective, and I listened to the legislative leaders take a pail of cold water and throw it on both of their requests.

Martin Schultz: Sucking the air out of the room, that is how it was described. Having said that, we know who the enemy is, with know where the resistance is. We could overcome this resistance if there is a team effort. I think there is a responsibility to this Transportation Board. I think the Governor has exerted her leadership already, and I do think that there are plenty of people in the business community who could make this happen. But we don't have an agreement on a process to get to the plan or the critical needs that you described. There is no agreement on that process other than this 2009 – 2010 process. Again, this is the dilemma. I am not blaming the planners for putting together a comprehensive, thorough process. That is their business. Believe me, I have had folks like this too who will tell me it is going to take another 12 months to put together that electrical study so we can build that plant. Let's figure out a way got get it done in 6. This is time for management to exert their leadership in terms of, do you believe you

need the revenue sooner than later, or we could just wait and go through this process in 2010 and then start figuring out where the next increment of revenue is going to come from, because all of the other revenue is committed. By the way, it is either being raided, being deteriorated at the federal level, or frankly is being deteriorated because of the growth path as I think John is going to tell you, is not as robust as it was, in several of these areas of gas taxes and others. So we are obviously not talking in terms of downturns in Arizona. We are just talking about less of an income. Mr. Chairman, I think we are very clear on what needs to be done. It is up to us collectively to agree on a path forward. I think the citizens who rely on you guys would appreciate that. I know that my employees and members of the TIME Coalition would appreciate more outspoken behavior on our part, your part, and to move to a process that works. 2012 does not work.

Victor Mendez: I have a question. In the absence of potentially a 2008 election, do you see 2009 as being the next option and how would that work?

Martin Schultz: When we engaged several attorneys and TIME Coalition to look at the legal issues related to 2009, for a referendum in 2009, you are required by the State constitution and law to have a constitutional change. I think it is problematical, but it can be done. Opening up the constitution, even at the smallest level is a challenge; however, it can be done and it would be the ticket to a referendum in 2009.

Chairman Schorr: Would you not need to amend the constitution in any event to provide the revenues to be used for other than highway transportation?

Martin Schultz: If that was the source of revenue. Again, it is our suggestion that this discussion about revenue, as cumbersome as it might be, occur concurrently with the effort to put together the projects. Everybody knows that the need number out there is \$60 billion minus whatever you want to attribute to existing revenue. This is through 2030. We have a good handle on it, so we can make those judgments. I think the range of options for revenues is even greater now than ever before, because I think people are beginning to embrace some levels of privatization and other strategies, primarily because of the technology that is now available, so it isn't all about raising gas tax. There are other sources. I also think that user related impact fees, those kinds of things are becoming more acceptable. None of this is easy, but I think we should have that discussion. Obviously you are having that discussion. We talked about this yesterday at the Management Committee. Same thing, if people don't get together and speed this thing up, then the plan is essentially 2010 which will worm into 2012 and that means the in-service date is 2020. Totally unacceptable based on the congestion projections and population projections.

Chairman Schorr: I personally share your quest and I am sure Joe does too. Any of us of a certain age would sure like to see some of this happen and perhaps enjoy it. The next best thing would be to make sure that our children or grandchildren enjoy it.

Victor Mendez: I would like to go back to my question, in the absence of 2008, you say 2009 is possible, but then you jumped to 2011, and 2012. My question is, in your judgment, is 2009 still a possibility?

Martin Schultz: Yes sir.

Joe Lane: The only problem I have is political. When you go to an off year election, 2009, trying to get turnout is the toughest job there is.

Chairman Schorr: Of course, in some elections, lower turnout favors somehow.

Joe Lane: It is depends on the issue and how it is framed. Nonetheless, if you can get a big turnout and you have a popular issue, that is how to have a good turnout.

Martin Schultz: Interestingly enough, as I said, one of the functions of the TIME Coalition is to raise the money to do the surveys. We hired one of the best researchers in the State, Margaret Kinsey who many of you know. We are confident in 2008, believe it or not. And that is Joe, because there are 2.5 million people registered, and in round numbers 75% of those turn out. We know how that election could very well turn out, even with opposition. It looks something like Prop 400. And we have the calculations. 2009 is also doable and has the infirmities that we talked about, Joe's concerns, and my concern, our concern TIME Coalition, with regard to the challenge of the constitution, but we have had no lawyer in the Coalition say we cannot do it.

Chairman Schorr: Would you share those poll results with us?

Martin Schultz: I would be glad to share with you on a confidential basis so that you can get an indication of support level. I would have to check with my TIME Coalition partners, but I am sure that they would be glad to share.

Chairman Schorr: How about the acceleration of the active framework studies from the spring of 2009 to say, December 2008.

Felipe Zubia: As I mentioned before, and Marty made some good points, but I do not know that an election in 2008 cannot be done on the current schedule, particularly if we are looking at the issue being identifying at the 30,000 foot level what the needs are. We are not going to go out and say this artery needs to be extended or this specific interchange needs to be improved. That is too much detail that we couldn't even do in two years. If we are going for the 30,000 foot level and looking at the needs as Victor said, there are plenty of studies out there. There is plenty of groundwork done to know what those are. If you use that as the basis for asking the question. That question then is based on, we will call it again, what the critical needs are. Going back again to the issue that I raised yesterday, and that is, there are two goals that I think we need to keep an eye on. One is, who are we doing this for? We are doing it for the public, and the public has two tests. Those tests are, one, do we need it? If the answer is yes, they are not going to want us to sit on our hands for two years to figure it out. And two, they are not going to write us a blank check. There has to be some accountability. We are not going to get the detail that is needed to give them assurances of accountability between now and May. It is just not going to happen. So where does the accountability come in? The accountability comes in with the framework with what is being done while the questions are being asked, so when the question is asked, we tie it to a specific plan at the end of the day, back in spring 2009 that ultimately has to get approved by us the Board or the legislature, or some approval body, so that when that

question is done, and the answer is hopefully affirmative, it cannot actually be spent or collected until that plan is finished. It is almost like a parallel track that we have to do here. I think that the plan that you hold up is really trying to accomplish.

Chairman Schorr: The experience that we had when we did the original transportation plans, the most recent ones, was that you needed a certain level of information for the public to understand what they were voting on. You did not need to show a group with precision and you didn't have to show precisely all of the details of it, but you did need to show corridors. There is no magic word, but you have to give enough information so that the public feels comfortable that what they are voting on they are going to get. Because, one of the covenants that you have to make when you do any of these elections is that the public is going to get what they voted upon. The question is the level of detail. I am wondering if there is a level of detail that could be broad enough so that there is comfort in the voter understanding what they are voting upon. In addition to having voter understanding of what they are voting upon, they also have to have sufficient time to be educated as to what is going on. I think you probably need 6 – 9 months at least to be able to inform the electorate of what they are voting on. When you backtrack these numbers and put into the equation also the months you need for lead time to comply with the necessary statutes or notices, you are left with certain dates. I guess the question, and I do not have an answer, is what is the definition or the type of definition that you need to feel comfortable with going forward?

Felipe Zubia: If I could add a quick response to that, or at least a question. With regard to the polling, it would be interesting for that polling to include separate questions on the detail that the voting public would need in order to vote for something. If the question is, do you believe transportation is an issue? Second question is, would you vote for increased funding, spending, or taxes, whatever? A follow-up question is, would you vote for it if you knew the route? Would you vote for it if you just knew the number? That kind of gives us a gauge of knowing how much detail needs to be in there. Again, on to your experiences in Pima County, and no offence to Pima County, Pima County is definitely a different voting population than other areas, so I think what you experienced in Pima County going to the vote more than once.

Chairman Schorr: The fact is, we tried to follow the MAG model as much as we could because we felt it successful and we tried to use the same type of model they did, the same type of definition of the project. Given the publicity pamphlets that we put out and the ballot that we framed, they looked at what MAG had done because it was successful. The experience in Pima is probably valuable. But even if we discount it, go to the MAG model for the most recent election and follow that as an example of the kind of definition that you need, because you know that it worked in the face of considerable opposition.

Victor Mendez: A couple of perspective, and I do not have the answer either. Actually, you got ahead of me. With all due respect, you were successful with the RTA and were successful with the RTP here, so we keep going back to these models. They were successful. We are hung up on this model approach, but maybe that is not the model that is going to work Statewide. In fact, that is what we are following, these models that were established for a statewide initiative. I do not have the answer. That may be the right process, it may not be, but that is what we involve MAG in on a Statewide basis. I think if you talk to the local elected officials, they are onboard

with that process. That is my second point. We can continue with the process whether it is an accelerated process, existing process, or some other process, we need to have local elected officials onboard with us. To me it is very clear when the Governor met with various components of northern, central, and southern Arizona, I would assess it as most local elected officials said 2008 is not a good year for them. That is just my assessment. So if you are going to go in 2008 or even 2009, you have to be working with local elected officials, because it is not going to happen if you don't have that local support. I think that is part of the challenge. Are we following the proper model for a statewide initiative? Whatever model they are following it has to have support from the local elected officials. They have different perspectives.

Martin Schultz: I do not disagree with that analysis, but I think about various definitions of leadership. Sometimes leadership is defined as a willingness to fail. I know that everybody is fearful of asking the voters and that it will fail somehow. It is interesting because no matter how many times southern Arizona asked it came back. I know a lot of people who are supportive of light rail are now celebrating the light rail plan that is about ready to be implemented and even the expansion that is going on now. I was heavily involved in the Val-Trans work. We took a real stain. We really lost because the project was too big. I want to talk about local elected officials. It does not make me the most popular guy in the world, but I am not running. I care, but I must with all due respect, say that when the Mayor of Florence said what he said yesterday in the meeting, which was, "I am not prepared to stand up in support of the revenues that I know are needed, and I know the facilities are needed in my area, I am not willing to stand up because my election depends on it and the election of others depend on it." I must say, and I did say this privately, that is unacceptable. That is self-preservation. Mr. Former Speaker, you said there is a political problem. If we allow these, you, and others, allow this to occur and let these people get away with it when you know that you have the data about the needed infrastructure and the needed finances, we will let them get away with that. You cannot do that. We have to be intolerant. I know the Governor is an elected person too. I would be glad to talk to the elected officials and at least put an alternative forward. Sometimes being Mr. Nice Guy here is just totally unacceptable, because the local elected officials told me as the Co-Chair of Vision 21 the same thing. We love these 10,078 projects, and by the way Mr. Chairman, we were not at centerline with that, but we were darn close. So you talk about specificity, we were boringly specific because we had to help with ADOT and our consultants. Yet, they knew the benefits to all of their areas around the State. Many of them said, "We don't want to stand up for that". If we are going to let them get away with that, the leaders in transportation are going to let them use that analysis which is a local political analysis, then I think we are as much at fault as they are. Is that a right analysis? Some of us will have to put this stuff out there without the support of certain elected officials. What a concept! If in fact the local elected official says, "No, this is not good for my area and here is why." That is a rational argument. To say, "I am not willing to stand up", well stay neutral. I think his constituents know. I realize there is a no-tax theme, but except for some increment of public/private, if you think you can do \$60 billion through 2030 without some kind of revenue increase, I want some of that magic potion. You can't. So, why don't we step up to it now? Mr. Chairman, if you want to do it in your reign now, if you want to see it, then we have to be a little intolerant of those wonderfully motivated local elected officials and others including the legislature that says no, and we have to speak up on behalf of the citizens of Arizona and the needs.

Chairman Schorr: One final question and one comment. What do you mean by surface transportation?

Martin Schultz: The TIME Coalition is the multi-modal surface transportation. Our analysis includes commuter rail from Phoenix to Tucson and other aspects of commuter rail, expansion of light rail, and possibly freeways and major gateway, the major system that ties Arizona north and south, east and west together, and buses.

Chairman Schorr: Just want to let you know, none of us is standing for reelection. Further questions or comments?

Bob Montoya: Thank you Mr. Schultz. I agree wholeheartedly. I would encourage you and hopefully we can help you address the long-standing issue with politicians and their concern for being reelected. I think they are more concerned about being reelected than moving things through. I would be very interested in seeing what your plan is on how you are going to engage these legislators without a guarantee. Any involvement that I have had with any elected, they want to see what the payback is before they make a commitment. I will be very interested in seeing how you move that forward.

Delbert Householder: You mentioned urban areas and a lot of things. We do not want to leave rural Arizona out. We need the counties vote too. They need to have their vote counted, because everybody uses those funds too and they don't have enough money to take care of them. When you are talking, mention the other 13 counties too.

Martin Schultz: Mr. Vice-Chairman, I hope I did mention, and I did make it very clear that the commitment of the TIME Coalition is a Statewide, multi-modal transportation system and our membership includes the Chambers of Commerce, business organizations, and user interest all around the State. It is pretty gratifying to see the support that we are getting. We need to work through this as I think the Chairman indicated. The approach is working through this to the goal, which is to get this done as soon as reasonable.

Chairman Schorr: Specifically, what I think Delbert is concerned about, and I think TIME Coalition might have answered this affirmatively before, is that the TIME Coalition understood that we had in effect what is known as the Casa Grande Accords, and that the funding or resource allocation would be applicable to any question presented to the public for a vote Statewide.

PAYING FOR GROWTH

John McGee: First of all, I would like to introduce Bob Schaevitz who is a consultant with URS. When you are looking at the framework study papers here, Bob is the boss on the framework study that will be helping with the financing portion of that process. First, I would like to say that this has been an extremely interesting meeting today. I think every presenter has touched on something that I was planning on saying today. In the end analysis, it seems like this all comes back to money. That is what we are here to talk about today.

There are three things that I would ask that you take away from this presentation. One, the current funding model is inadequate for transportation needs in Arizona. Number two, this is a problem that not just Arizona is grappling with. This is a problem that every State and the federal government are grappling with all at the same time. I have handed out a bunch of information in this book that talks about some of the efforts that are going on in other States and at a national level. Number three, and maybe this is the most important, there are any number of ways to fund transportation, but no single method that everyone has agreed on. In the end analysis, funding for transportation really isn't a funding issue. It is really a political issue and a public policy issue. The reason is that the money that will go to fund transportation, depending upon its source, affects people, businesses, and political philosophies, and that is where the real rub comes from. If Victor gave me a number today and said, "John, we need \$60 billion over the next 20 years", Bob and I could probably sit down in about a half an hour and come up with 6 – 8 approaches. Some of them would be really unpopular and others would be worse than that. It really is not a funding issue; it really comes down to a political and public policy issue.

Just a couple of things, our funding comes from three major sources: HURF funds, Federal funds, and Rock Funds. All three of those funding approaches have problems. First with respect to HURF, fuel efficiency over the past 30 years has really decimated the financial ability of the gasoline tax or the use-fuel tax. If the gasoline tax and the use-fuel tax would have kept up with inflation and efficiency since 1975, this State would have about a billion dollars more per year coming in for transportation. This State in total right now is spending probably \$1.5 billion a year on average at all levels for transportation. That would be up by a factor of about 60% - 70%, if the gas tax would have kept up. Of course that means at both the State and local level, the gas tax would not be \$.18 a gallon, it would be closer to \$.40 a gallon, but that has not happened. That is the main reason we have the problem that we do. That is only going to get worse. Current café standards require that average fuel efficiency for the fleet of American cars averages 22 miles per gallon. Recent congressional action has mandated that it rises to 35 miles per gallon by 2020. That is not going to be a situation where in 2019 we are still at 22 miles per gallon and all of the sudden in 2020 we are going to go to 35. The car makers are going to be implementing that, ratcheting that up year by year. That is going to have a significant impact on fuel collections in this State and nationwide.

There is an emerging awareness and desire to go green as Victor talked about today. We talked about rail today. If you believe what rail says, they can move the same load for one third the amount of energy that a truck can move it. Rail right now is investing more money in their system than they have in the last hundred years. Since 2000, seven years ago, rail has invested \$10 billion in new track, warehousing and equipment. They have another \$12 billion that they plan to invest. That is a tremendous amount of money. That may be good, that may be bad. I can tell you one effect that it will most likely have is that the rate of growth that we have seen in trucking revenues in HURF is probably going to slow down. Particularly as was mentioned earlier today, when you are talking about goods moving across the State in these big trade corridors, I think you are going to see more movement towards rail. That will have an impact on the number of trucks on the road and the amount of revenues we collect. Again, that is a double-edge sword. Fewer trucks may be less maintenance. I do not think you will ever see fewer trucks. I think what you will see is the rate of growth slowing down. Essentially, the railroad are moving

from their traditional role of moving raw materials, lumber, fuel, coal, things like that, to moving finished goods. That is really what is driving their business model.

Another set of statistic that I found just fascinating when we were talking about going green, café standards, the price of fuel, in 2007, these are statistics that just came out, in 2007 the number of light vehicles that were purchased in this country was down about 2.4%. The number of SUVs purchased last year was down over 5%. The number of luxury and large cars was down almost 9%. The number of large pickups was down almost 3%. The number of compact cars sold last year in this country was up 33%. As we have seen gas prices go from \$2 a gallon to \$3 a gallon as all of our models have shown, and then stay there, people are starting to change the types of vehicles they drive. Whether that will be a short term or long-term phenomenon, and with the new café standards, I think it will be a long term phenomenon. That does not help with fuel.

VLT and other major portion of HURF, growth in VLT is slowing due to the current economy, switching to smaller vehicles. As you know, VLT is not constitutionally protected. That can become a problem when the State budget is under stress. VLT is a relatively unpopular tax because it is something that people pay all in one lump sum, it is a decent amount of money, and so people do not really like it.

Federal funds, again significant concerns here. I said no more gimmicks available for the next reauthorization. That may have been a little harsh. I maybe should have said no more opportunities. Under both T-21 and Safety Lou, federal funds increased by fairly significant amount of money under both of those reauthorizations. They were able to do that under T-21 because they transferred 4.3 cents of fuel taxes that were originally passed to get rid of the deficit in the early 1990s to transportation and that gave transportation a lot more money under T-21. Under Safety Lou, what they did was say, we are sitting here with a pile of money in the Highway Trust Fund, about \$20 billion, we are going to put that in the equation and spend that down. They have done that now to the point that they are worried about running out of money and now that becomes a problem. There are no more of these opportunities, unless congress comes up with some way of raising revenues, to have a large increase in the next reauthorization.

Sales tax – sales tax in Maricopa County and Pima County, other counties around the State again have become a very popular source of funding transportation. The other problem is that there has been a significant reliance on sales taxes at both the State and local level to the point that, right now the lowest sales tax rate in any city in the State is in Huachuca City at 7.6%. The highest is in Fredonia at 10.7%. That is a lot of sales tax. And they talk about adding on top of that potentially could be come problematic. All three of our funding sources have problems.

Bobbie Lundstrom: How do you determine sales tax in each area?

John McGee: There is a list that the Department of Revenue puts out that has a combined State, regional, and city sales tax.

There are a number of different approaches to funding. What these sorts of exercises generally do is to look at different emphasis areas. Do we emphasize user based funding such as fuel taxes and registration which has traditionally funded street and highway projects in the past? Do we

look and consumption based? By consumption based I mean essentially sales tax, general sales taxes, and specific sales taxes such as we have in Maricopa County and Gila County and others. Perhaps a property based approach where you are looking at some sort of property tax. Impact fees have become a very popular topic. A fair amount of funding for transportation is using impact fees at the local level, but as far as we have been able to determine, no large-scale impact fee funding for State level transportation projects. It has been talked about in a number of States, but at this point, we are not aware that it has been implemented successfully anywhere. Taxing districts, tax increment financing. Tolls, we have talked about that a lot today, private toll roads. One thing that has not been talked a lot about is public toll roads. In my opinion, I think public toll roads offer some benefits that private toll roads do not. I think private toll roads may offer benefits that public do not. They are two different options. High occupancy toll lanes have been talked about, truck only toll lanes, congestion pricing. I just read in the paper today, I guess the Mayor of London it is going to cost you under their congestion pricing formula, if you try to go into London at the wrong time, \$50. That is a lot of money.

A VLT approach, personally, I think this probably has a lot of merit on a long-term basis. I think Oregon has done a demonstration on this, limited demonstration.

Chairman Schorr: If you are going to do a public toll road, let's assume for a moment that you are going to do it for HOV lanes. Do you think that would require a change in lanes? Existing HOV lanes for the toll?

Victor Mendez: There are some federal issues that we would have to cut through first. Also taking you back to the existing statutes, that is what we have is the outdated statute. It would have to be 100% privately funded toll road. Then the question is would the public buy into it?

John McGee: Then there is any other number of possible funding methods; individual income taxes, corporate income tax, parking taxes, etc. I have summarized in your book a couple of examples. I know there has been a lot of discussion on the National Surface Transportation Policy and Revenue Study Commission and their results. I actually included in your packet of materials under tab 3 the Executive Summary of that so you can read that at your leisure. I also included under tab 4 the Minority Report that Mary Peters and the other two folks on that committee wrote so you have all that information here. Essentially what the National Surface Transportation Policy and Revenue Study Commission came out with, in the preamble of their report, they said something very telling. Somebody has to pay the bill; there is no free lunch here. The money has to come out of somebody's pocket. They had a bunch of policy sorts of comments on all levels of government, the private sector should contribute their appropriate shares, user financing as a principle. The thing that got the most press was their recommendation that they raise the federal fuel tax \$.25 - \$.40 per gallon over the next five years and then index it to construction cost. It is a hefty raise. They didn't just say that, they also said that the federal government should look at other new user based fees including freight fees, custom duties, and rail ticket taxes. They also went on to encourage the use of public/private partnerships and ultimately long-term, looking to the development of the vehicle/mile travel fee as a replacement for the fuel taxes. Of course, Mary Peters and the other two members of the group disagreed with that. Their Minority Report is included under tab 4.

Another example that I put in here is a very recent report that came out from Colorado. The Colorado Transportation and Finance Implementation Panel. They recommended increasing transportation funding in Colorado by \$1.5 billion annually. They looked at 39 different options. If you turn to tab 5 which is a summary of their report and go to the last page which is in color, it lists all of the options that they looked at. I include this in here because it is a pretty good menu at the kinds of things that are being looked at by every State and by the federal government. The items in red, the six items in red, are the six items that they recommended. This included a motor fuel tax increase of \$.13 a gallon I think, indexing the motor fuel to inflation, I think about a third of one cent increase in the sales tax rate. A severance tax increase. Visitor fees, always good to hit the visitors, and a highway maintenance fee of about a \$100 per vehicle that would be added to you registration. That was the mix that Colorado came up with.

In conclusion, there is no single silver bullet to this problem. People will tell you it is PPP, people will tell you it is tolls, gas tax, everything. There is no single silver bullet. If there was, everybody would be using it. It is really going to come down to a public policy decision as to what is the most salable plan out there.

Just to stress Vice-Chairman Householder's comments with respect to the rural perspective, under the current allocation method which is based upon equity distribution of State highway funds, that leaves very little new money for capacity improvements in the rural areas. That will continue to become a very difficult problem. It is exacerbated because unlike an urbanized area like Maricopa County or Pima County where they can put together a regional plan and then go to the voter who that plan will directly impact, trying to do that in the rural areas is a much different process and a much more difficult process. Anything that comes together really has to take into account what is going on in the rural areas because that is crucial to the overall system in Arizona.

There is also under tab 7, I just put in an article about Kansas. They are indicating that they have a \$30 billion transportation gap over the next 20 years. Under tab 7 is a presentation that was put together by Ashtow that looks at all kinds of different funding ideas at the federal level and also has a good list on page 9 of different revenue sources that different States are currently using. Finally what might be of most interest to this group, we have done some preliminary calculations of transportation funding options that might be looked at and the tables under tab 8 show both a 1-year estimate and a 20-year estimate in today's dollars with respect to how much each one of those options would raise for the State. This kind of information is what we will be dealing with when we start putting together different options.

Felipe Zubia: The last tab is the most important. In going through this in your experience, I want to ask you to rank them in two categories from 1 – 5, 1 being the worst, 5 being the best. I will just pick a couple of them. The first category being the efficiency of use, is that a good vehicle to be getting money from? Secondly, politically in your experience, is it something that could be sold? Again, the efficiency of the use/fuel tax. It is already in place and I am assuming that would be kind of a high efficiency?

Bob Schaevitz: Depends on the State. There are some States that actually have very high fuel taxes and they have stayed on the path, raised it every so often, and have kept it going.

Interestingly, Wisconsin had an indexed fuel tax. We were always saying that they were so progressive. They repealed it two years ago, so it is not longer indexed. That said, Arizona is in about the 20th percentile as far as fuel tax. You are 40th out of 50 States as far as your fuel tax. It is difficult. I live in California and they have not raised their fuel tax since 1993. There are certain States where they still have the idea that it is appropriate to raise it, and there are other States that have somehow lost the will.

Felipe Zubia: So we would probably need about a three-year term politically right now from what we know as far as raising taxes. Unless, as you say your legislature is not even going to consider it.

Chairman Schorr: The next one is vehicle license tax. Politically unpopular.

Bob Schaevitz: It is hated for some reason by the public, although the dollar amounts obviously are very low compared to a property tax. Property tax is truly a catastrophic tax, every six months you get a bill. Even so, the vehicle license tax is very difficult.

Chairman Schorr: Corporate income tax, personal income tax, your experience with those? Is that an efficient vehicle to pull transportation dollars from? And the Statewide impact?

Bob Schaevitz: The issue there, the impact fee is an excellent way to accomplish what I call benefit/burden matching or nexus. Really if you are putting in transportation improvements and they add value to property by improving accessibility and then someone comes in and develops that property, there should be some of kind of value capture to get that back. The reality is, of course depending on the market, it is often the ultimate user and often the homeowner who is paying the impact fee, not the developer, because in good markets, that money gets passed right along. Nevertheless it is here to stay. It is politically popular because it only addresses the new residents. If you do not move or sell your house it does not affect you. Many people move up in houses so they incur these as well. They do not distinguish it; it is just not as obvious.

Felipe Zubia: Expanding that discussion, as everybody here knows there are many local communities who are already exacting that. One of the ways to actually get straight to that without having to do it Statewide, establishing the nexus and the proportionality, and all of the other tests, if we just attach it to what is already out there. You don't have to go to the voters. You just go to the legislature. Anything that exacts an impact need for transportation, 10% of it has to go to the State highway fund. That is a fair way. If the requirement for establishing the nexus is with the local communities, and if they decide to do that, fine, but then 10% of it goes to the State fund.

Chairman Schorr: Don't you have to, with an impact fee, show that the funds are going to fund perspective increases in the road for example?

Bob Schaevitz: It is in theory tied to specific program projects. There is no question about that.

Chairman Schorr: If you have an impact fee for parks in a particular city or county, it might not always be possible to show any nexus between parks impact fee and a State transportation use

occasion by increases in usage in that particular park. You might have a better argument if you could show that for transportation. Even many transportation routes do not necessarily directly impact the State highway system.

Bob Schaevitz: That is precisely the quandary and why it has been difficult to even do it on a regional basis.

Felipe Zubia: There is a vehicle in place already to do that so you do not run into that problem. It is Statewide Transportation Acceleration Needs (STAN). I have raised the issue before. Two years ago the legislature created the STAN account. In that account you can earmark funds, so if you have a community that collects the fee, then that goes into the STAN account for, say Buckeye, for State roads within Buckeye. The entire infrastructure is already in place to do that. It is by accident of course, but it is there.

The STAN account which was established two years ago allows communities as well as business to earmark funds for specific projects or locations according to the STAN account. The vehicle is already there to do that. If you do that and Buckeye collects a few, the legislature says that 10% of that needs to go to the State fund and Buckeye takes that 10% and puts it in the STAN account for Buckeye highway projects. So again where we are doing the I-10 widening, the portion attributable going to Buckeye cannot come to that standard. Now it is just an accounting issue where you are pulling all of these different pieces of the puzzle to get the funding project.

John McGee: I do not even know that you even need to rely on the STAN account for that mechanism. We do projects all the time as Victor Mendez was talking about earlier today where we have local participation. Sometimes that local participation comes from impact fees, or other fees from the locals. We just do that through inter-governmental agreements. Actually putting it in STAN might put it in a little bit of a risk to be used on other projects within that region because you only have it, as the law says, for a project within a specific region. Probably on something like that, it would just be easier to do it through an inter-governmental agreement. And we do that.

Chairman Schorr: We discussed earlier today impact fees occasioned by a development that wants to use access to a State highway as a substantial primary means of access. We have in Arizona a number of examples. One is a town which was developed and uses a State highway as its principal access to the Interstate highway and most of the people who go to work use that to get to the Interstate, to get to Chandler, and to the employment centers in the east valley. Are there any impact fees which could be assessed to development which occurs in a community like that to fund State highways?

Bob Schaevitz: The way that would be typically handled is through an approval process. If it was, it would be partnering with your local government and basically State that part of the development agreement would call for the developer to provide improvements to the State highway directly in order to meet the demand as opposed to actually using some sort of fee mechanism. There are virtually no examples that I know of for a State level impact fee where there are fees paid right to a state DOT. It is entirely a local mechanism. There is no question that if there is a 7,000 unit development on a two lane, rural State highway that you are not going to

provide the access permit without certain improvements being made to that State highway. And that is typically how it works. When it involves the creation of a new interchange, a new TI, same deal. The developer is part of the funding package that puts the TI in place.

Chairman Schorr: To use that example and carry it forward, let's say this hypothetical development of 7,000 units needs a new TI, they need new capacity on the State highway, could we, theoretically as a feasibility test, could you provide for a funding mechanism, which for example every one of those 7,000 dwelling units plus say 1 million square feet of commercial space has to pay a fee of X dollars per unit for residential and Y dollars per square foot for commercial?

Bob Schaevitz: I cannot address the specific legal mechanism in Arizona. It is certainly theoretically possible. I think what you would find again is that you might create a special assessment district which is already present in Arizona law. You might establish underlying property assessment that would pay forward for a certain period of time. There are a number of ways of doing it. It is really just a matter of what you can negotiate with the developer and then what they feel they can put on the property and still have it be marketable for their ultimate customer.

Chairman Schorr: Say for a moment that instead of just one of these 7,000 dwelling unit developments there are 20 of them around the State. Assume for a moment that each one of them wants a TI and wants capacity improvements. Assume for a moment that there are developers who are willing to pay a given amount. Assume also that you wanted to have uniformity amongst the 20 developments around the State. Are you aware of any mechanism which would provide a uniform measure of how much each development would have to pay?

Bob Schaevitz: Each one is negotiated separately, because even if they were all of equal size, it is very rare that other conditions would be so identical that there wouldn't be other issues to resolve. In terms of underlying traffic conditions, in terms of the way the network functions in that area.

Chairman Schorr: We do that today in Arizona on a local basis so that if there is a 7,000 DU development and a million square feet of commercial space and they want to build within a particular community, they do have a uniform measure of how much they would pay per dwelling unit and per square foot for development impact fees. Why couldn't you take that local example and extrapolate it on a statewide basis? I raise that as a rhetorical question.

Bob Schaevitz: You could. I guess it is just a question. You would have to be able to adjust the formula to reflect specific conditions. You would have to be able to grant exemptions or be able to grant additional charges to cover the fact that each project is different.

Chairman Schorr: In all development fees, ordinances on the local level must be by State law, credits allowed for previous improvements. The reason it is especially pertinent is, it seems that in the polling that has been done, the item which seems to get the most favorable attention, and I just got this from Victor, with the least resistance are impact fees.

Bob Schaevitz: It is like visitor taxes. People somehow feel that they are not going to buy a new home. It is just not actually true.

John McGee: We have had this discussion on impact fees quite a bit. I certainly think that even with Vision 21, they essentially came down to three recommendations; increase the gas tax, increase the sales tax, and implement an impact fee. I certainly think that it is a relevant option, but not everywhere. When you are putting a billion dollars in 1993 between Wickenburg and Kingman, the development in Wikieup is not going to pay for that. When you are doing something on I-10 going south where there is a lot of development, that concept works a lot better.

Chairman Schorr: It is a known fact that impact fees do not bring in anywhere near the amount of money that some people who advocate them think they will. On the other hand, if you go forward with a financing program, the absence of an impact fee is used by people to judge whether the overall financing mechanism, which has a bundle of things in it, is fair or not. So the impact fee has a two-fold measure. Number one, raising money. Number two, acting as a synergistic prod towards looking at the other portions of the financing proposal.

John McGee: I think as a funding source, it has a lot of things going for it. Just like toll roads, I do not think are the sole answer. I don't think impact fees are going to be the sole answer. As I said on that final chart, the ultimate answer I believe is going to be a menu of little of this and a little of that.

Victor Mendez: Politically I do not think a statewide impact fee will ever happen. The reason why it has never been done is because legislatures just aren't going to do it. The lobbies against it are just too strong. With homebuilders here there is no way it would ever happen, unless you find a way to do it within the current structure. The local communities already do it. All you are doing now is to modify that and saying if you collect it, a portion of it has to go to the State. Then you get into the issue of how you allocate it to Arizona. You are right John; you have the issue of Wickenburg, Wikieup that is never going to generate enough money to be of use. Then you start striking out in new territory that might even need new case law that says that everybody that is in the State benefits from improved freeways period. You cannot say that someone that lives 10 miles away from the freeway is never going to use it.

Felipe Zubia: At that point you are really much closer just to a general tax than you are to an impact fee, because you then break the nexus relationship.

Chairman Schorr: I guess what you are proposing, and it is appealing in many ways, is saying that if a community, county enacts a development impact fee, and let's say for transportation purposes that X percent of it is deemed to affect the State transportation system, so it is a way of really raiding the local resistance to that fee.

Victor Mendez: When they come back and have to do their fiscal analysis, what they have to do is to say we have freeways and State highways that go through our community; we need to not throw that into the mix into what our fee is going to be. I think that, over the long-term, will be a

lot more palatable to people like the home builders because they are already paying it, and they know there is going to be a system for them to be involved in each local community.

Bob Schaevitz: I want to comment on land use. The issue that we are facing at State level and nationally is an issue of additional revenues, not taking money from some other internal program; the issue really is that we simply don't have enough revenue to support our system. It is really an issue of additional, not recirculated.

Chairman Schorr: I couldn't agree more. But it seems that the American public is listening to the politicians and is acceptable to paying Hugo Chavez a \$.25 tax or the King of Saudi Arabia a \$.40 tax but they just do not want to pay it to the State revenue.

LAND USE, TRANSPORTATION AND SMART GROWTH: Ideas on improving the process and the outcome. Shannon Scutari.

Shannon Scutari: I have been glad to listen to Marty's presentation and also hearing a little bit about what John McGee was talking to you about because the things that I am going to be talking to you about are change. The conversations that we have been having over and over on these issues for decades. Some of you have had these conversations for 20 years or so. They are about how we take care of fixing things that have been imposed upon the transportation system. The things that I want to discuss with you today are how do we work within the way that we grow to change the way we grow so we put less of a burden on the transportation system, or change the way that we utilize mobility or develop mobility so that we do not add additional burden to the transportation system? I hope we can talk about this today. Because as we discuss these issues today, even though the market is taking a little bit of a downturn in the housing market, there still are local and county zoning decision that are entitling land for housing developments that will impact the State transportation system. I think today is a good day to say that yes, we have many issues, many needs, and many challenges with our political will on how we are going to go about getting funding to band-aid our system as we know it. If we do not start looking at it and talking seriously about changing the way we grow in Arizona we will never catch up.

I have several things to pass out so we can have a substantive conversation. One of the things that brings it home is a big topic. I have given dozens of presentations on this topic over the last year. It is something that the Governor uses a lot in her speeches. She says that we have done a pretty good job of accommodating the first 6 million people to Arizona, now what will we do to welcome the next 6 million people? One of the things that the Governor has done, and she has put this as one of her highest priorities, growth and transportation in the last several years, particularly in her second term. She talked about it, and Marty referenced it in her State of the State this year very seriously and in her State of the State last year, she has created the Growth Cabinet that has been basically working very well together over the last year and a half to break down State agency silos. The Growth Cabinet is a subsection of the larger Cabinet. Agencies, all of the heavy-hitter agencies that are dealing with growth on a regular basis, State Land, ADOT, Department of Commerce, Department of Housing, Department of Environmental Quality, Department of Water Resources, the School Facilities Board, Department of Health Services. The Growth Cabinet came up with four different focus areas for smart growth and development implementation plan. One of those is developing a system or a process whereby we can get a unified vision on how we grow in Arizona. The Growth Cabinet is partnering with the Urban

Land Institute to put on a series of Reality-Check Workshops where you basically pull in a whole host of folks from all segments of society, faith-based organizations, non-profits, folks like yourself who are familiar with transportation and growth issues and basically do an exercise where you have very comprehensive maps of the area. The first one that is taking place is on May 16 and it is covering Maricopa County and northern Pinal County. Basically, these very detailed maps show where the development already is and the areas that are still available for development. The maps are very large. They show the tribal land, State land, private land and 300 participants will sit around tables of 10, 30 tables of 10 and will take, basically Legos, and try to fit what is projected to be in this first region, in this first exercise covering Maricopa County and northern Pinal, somewhere in the neighborhood of 4 million plus people. These Legos will represent people in the housing units and the jobs that are necessary into the area that is left to develop. That is one of the exercises that the Growth Cabinet is promoting and Urban Land Institute is promoting. Lots of partners, ASU, and lots of other partners to get folks during that exercise, about a 2 – 3 hour exercise to be able to identify where and how we will accommodate that projected population. The idea is that the visioning exercise would then spread into Pima County and the same type of exercise would happen in Pima County with the Pima County area maps. That exercise would then extend into Yavapai County so that the visioning exercise would cover what demographers are calling the Sun Corridor. That is a priority and a focus that has had a lot of emphasis by the Growth Cabinet to identify what the vision is and really to help the average citizens who don't deal with these issues like we do to understand the implications of the type of growth that we are projecting. That is one element is the visioning element.

The second element is a statewide transportation plan and funding package. That is exactly what you have been engaged in and have been talking about in the framework studies. From the Governor's perspective, she strongly believes that the growth plan for Arizona is going to absolutely, 100% be driven by the transportation plan that is agreed upon and funded for Arizona. Her commitment is that the plan will absolutely be multi-modal. That if we are changing the way we grow we can continue to build freeways and interchanges, and then master-planned communities, or as we have seen, master-planned communities, interchanges, then widening freeways because the demand is so great that the folks who move to those particular communities are coming to the State saying, you have to come in and solve our infrastructure issues. The pattern of development driven by mainly accommodating cars and not necessarily people has really hurt her commitment for the State transportation plan. That is why she has had such a focus on the rail element.

The third element of the growth plan is State Trust Plan reform. About 15% of the developable land in Arizona is private. About 17% of the developable land left in Arizona is State Trust Land. Without some significant State Trust Land reform and some funding available to the State Land Department, we really cannot implement changes in the way we grow in Arizona to accommodate the infrastructure improvements that are necessary, and frankly the type of long-term planning that is necessary for the State Land Department to truly be an effective agency.

The fourth area is a scorecard, and that is what you have in front of you. That is also an opportunity for the Growth Cabinet and for the State agencies to have a common language and a common understanding of local and county jurisdictions, because, as you know, land use

planning and regulations, and jurisdiction falls under the authority of the local, county, and tribal jurisdictions; however, the State is typically left to pick up the pieces if those decisions are not done properly, or if they have not been coordinated well with the State, particularly on infrastructure, waste water, water delivery system, and transportation. Typically it is up to the State to come in and accommodate that lack of infrastructure if it has not been planned well or done well at the local and county level.

Those are the four areas that the Growth Cabinet is putting a lot of emphasis on and that the Governor sees as the growth plan for Arizona. Just so you know, the scorecard is really quantifying, or putting performance measurements to already existing Growing Smarter and Growing Smarter Plus statutes. It is not pulling planning ideas out of the sky. It is the Growth Cabinet basically quantifying and saying, if you are going to be following Growing Smarter and Growing Smarter Plus as a Smart Growth community, these are the types of things that are necessary for you. Frankly they are in the statute of Growing Smarter.

The other thing I want to do before we go through the scorecard is to call your attention to this article that just appeared in the *American Society for Public Administration*. This is something that George Cunningham gets and he made sure that I saw this because he wants me to know how smart public administration people are in writing an article about it. I bring it to your attention because this is a survey that was done by the National Association of Realtors in conjunction with an organization called Smart Growth America. I will call your attention to the second paragraph. This is a survey that was given to 1,000 folks nationwide on growth and transportation issues. I found this to summarize what we are talking about here in changing the way we grow. Nearly half of those surveyed think that improving public transit would be the best way to reduce congestion. 26% believe that developing communities that reduce the need to drive would be the better alternative. Only one in five said that building new roads was the answer. So the idea here is that we are seeing more and more folks, because of issues of climate change, greenhouse gas emission reduction, and air quality issues and environmental issue, the time taxes, congestion issues, more and more folks changing the idea of what it means to buy into the "American Dream", we are seeing things shift. More and more folks with the baby-boomer generation are aging in our society. They are less and less able, or are recognizing that they soon will be less able to drive their car. They are looking around and saying what kinds of alternatives are there for me? They are wondering if the built environment does not allow them to walk or take another mode of transportation besides their car to get to central services, or does not allow their own children or grandchildren to walk to school or not have to rely on the car to get to where they want to go, how does the built environment serve them and their particular needs as a large segment of our population? So we are seeing things shift. This is all sweeping across the country at this point as you can see in this particular survey. There are many more surveys like this.

I would like to look specifically at the scorecard now, because I think it gives you a nuts and bolts idea. If we are saying we are going to focus more on how we grow or how we develop in Arizona, what does that exactly mean? This scorecard now is in the hands of every single Mayor and City Counsel member in every city and town throughout the State. It is now in the hands of all the County Supervisors throughout the State. We are asking for feedback on this by March 3 of this year from all of those entities. We have been doing presentations throughout the State on

the scorecards generating a lot of interest, a lot of support. The focus for this year with the scorecard is that the Governor is so serious about getting compliance on the scorecard and the Smart Growth development patterns, that she is serious about connecting State discretionary funding to those communities that are following the scorecard and implementing the scorecard.

The scorecard, besides being based on the Growing Smarter statutes, really is focus on five major categories that were developed as guiding principles. This was done from the Growing Smarter Oversight Counsel through a series of dozens of listening sessions where they went throughout the State and heard from thousands of folks. The first section is on responsibility and accountability. In that, it is basically drilling down into specifically what the zoning acts focus on in that particular community and how are the zoning regulations applied. What kinds of regional and county or beyond just the local county jurisdiction coordination are done? Is that coordination done? Does that jurisdiction reach beyond its borders to coordinate with other counties, other jurisdictions, and particularly tribal jurisdictions?

The second area is stewardship of natural resources. Is there a comprehensive water resources management plan? Are there natural assets identified without the community and is there a preservation plan in place for those? That green infrastructure that folks are now starting to identify as a key to the quality of life for those folks who either live here now or anticipate will move here at some point. It is interesting because recently we were surpassed as the fastest growing State in the nation by Nevada. We kind of go back and forth. One year it is Arizona, the next year it is Nevada. Right after I took this job it was Arizona. Now it is Nevada again. The best way to become a slow growing State is to be an undesirable place to live. Some of these things are focused on how we maintain the types of quality of life that people enjoy and expect when they live here.

The next one is the opportunity for broad choices. This section really focuses on housing opportunities. Is there a broad mix of housing choices? Not everyone, as we are finding more and more tastes are changing in housing, and not everyone wants to live in one house on a third or a quarter of an acre with a swimming pool in a cul-de-sac. We are finding that there are many kinds of housing choices that the next generation and the generation after that are choosing. Frankly, the aging population is planning to move from the suburban lifestyle to finding more of a focus on housing that is actually closer to central services.

The fourth section is on central service infrastructure. This particular focus is really what you are in the middle of all the time. Is the transportation infrastructure sufficient? The local, the regional, and the State transportation infrastructure. Is there really a holistic plan in place? Not just a plan in place, but are you implementing a holistic plan to make sure that there is an urgent care center that is available for that community within a reasonable distance. What about schools? What about human services? Are these things being not just addressed in your general plan, but are those kinds of things actually being implemented by the communities? There are some communities where folks have to drive on a freeway for almost 45 minutes to get to the closest urgent care center in an urban area because these types of infrastructure issues, essential service infrastructure issues have not been done. The houses have been put there, but the essential infrastructure has not been accommodated.

The last section is economic development. This is the area that says what time of economic centers are planned. Not just planned, but that you anticipate would be servicing that particular area. Obviously we know mitigating traffic congestion; one of the most important ways to do that is to have jobs close to where people live. Relying on an urban center that is 40 miles away from that particular master planned community as the place where the folks are going to be working, as we know, we do not have to look very far to know what a design for disaster that is. Not just here, but in California in so many areas.

I recognized one of these things as I went to a seminar in California that was addressing these issues, particularly for western States. There were two representatives from most of the western States, and I was fortunate to be one of the representatives from Arizona, but of course there were eight representatives from California. They were talking specifically, the California folks, about how in the 1960s they had roughly 6 – 8 million folks in the California area and now they are double that, upwards of 16 million plus. I thought about how interesting that was that in Arizona at this particular point in time we are about at the same place as California was in the 1960s. We are anticipating the near doubling of our population in the next 20 – 40 years obviously depending on the market as far as timing, but we can certainly learn from the mistakes of other States and we do not have to look that far. Thank you for letting me be here. I know it is a discussion, so I am open to questions.

Bobbie Lundstrom: What about the water? We have to have water for these people to come and live in our State?

Shannon Scutari: Water is obviously one of the big issues. There are quite a few things on the scorecard on water. I think one of the issues we hear more and more is that restricting developments because they do not have an adequate water supply, they cannot prove an adequate water supply, particular outside of active management areas, runs up against private property rights. Right now there are some bold communities, Coconino County, Pinal County that are looking at and actually drafting ordinances at this point that are mirroring the State legislation that recently passed last year basically requiring water adequacy in areas outside of an AMA prior to approving a development. There are some steps that are moving in that direction to really focus in on that, but right now the law only requires that a development cannot be disapproved outside of an active management area unless you have a unanimous vote of the County Supervisors, which politically can be very challenging in many areas throughout Arizona. On the one hand, we say is there enough water? Some folks will say there is the water, but it is not necessarily in the places where we need it, so delivery systems are a challenge. But on the other hand, trying to restrict development based on water availability can become an incredibly huge political hot button.

Bob Montoya: You talk about the scorecards and some of the drivers in planning. You touched on urgent care. You can plan for that, but how do you address the shortages of primary care physicians and specialists that are nationwide. Are you only going to allow development, or can development only take place if you can provide these things? How does that work?

Shannon Scutari: I think that is an important piece for the communities to grapple with. Is that particular infrastructure outside of just roads, sewers, and water for a whole development plan to

be in place? Are healthcare and human services other essential services? Frankly, the way that the Governor and the Growth Cabinet sees this is that the community has schools, and healthcare as well as transportation, water, and waste water facilities. I do not think it is a matter of finding a way of solving the shortages that we have with healthcare providers, but it is really what kind of plan is in place to make sure that either folks understand that those kinds of things are not there, and really are aware that they are moving to a community where they have to get on a freeway for 45 minutes to the closest urgent care center, or that they have a plan in place to try to provide that infrastructure.

Chairman Schorr: Shannon, would you like to summarize?

Shannon Scutari: I think that the statewide transportation plan is obviously a critical component of this too. Obviously the focus is on funding. I understand that and obviously the Governor understands that and has taken a very strong leadership role. We also know that the types of modes of transportation are really critical to that funding formula. We appreciate you addressing the fact that her priorities are rail and transit as well as highway infrastructure.

Chairman Schorr: What do you hear from Marty Schultz's presentation? What is your take on that? His general surmise is that we should celebrate what we are doing so that there can perhaps be a vote in 2009.

Shannon Scutari: Accelerating what you are doing for the framework studies? You are on track for 2009. That is my understanding.

Victor Mendez: The framework process is on track to finish in spring of 2009, not that we are on track for a 2009 referendum.

Shannon Scutari: The framework study process is on track for completion by the legislative session in 2009 which would allow for a special election in the fall of 2009.

Chairman Schorr: How could you have a special election in the fall of 2009 if your actual framework studies are completed in the spring of 2009, meaning April 1? How could you, between April 1 and July 1 which I understand is the statutory cutoff date in four months, do enough work to get the legislature to act, to get the public and the local government officials to buy into what you are proposing?

Shannon Scutari: Mr. Chairman, one of the things I think we need to clarify is how could we do that? The second thing is that I think it is critical to understand what type of timeframe we are looking for. My understanding in working with the framework study timeframe is that understanding the needs to 2030, for the next 20 years for potentially a funding package for the 20 year needs would be complete by December 2008 or sooner, and that the extension of the framework studies is to look at the connection of land use and transportation outwards to 2050.

Victor Mendez: Mr. Chairman, we are passing out copies of yesterday's presentations of the Framework Committee Kickoff.

Shannon Scutari: You could have an understanding of what your 20 year needs would be, and have an understanding of what the funding would be required for those 20 year needs, and then the framework studies would be continuing to identify the land use and the transportation connections outwards to potentially build out at 2050.

Victor Mendez: Note the graphic. They are built within the blue band. The public participation portion of the entire process runs throughout the process, so throughout that process we are going to build that support, hopefully both political and public support as we work through the entire study process, so at the end of the day, come December 2008, then in essence everybody will be educated, up to speed on the processes with a potential outcome, it won't be finalized, but they will be engaged in the process. I do not know that, if we finished everything by late April, but most people will have been engaged in the process. It won't be a matter of beginning on April 1 to bring people onboard. Our team of public involvement experts is running this whole public involvement process.

Chairman Schorr: We did not have this presentation when Marty Schultz was talking. He pointed to some blocking errors being the offending block.

Felipe Zubia: I believe the concern is, is there a way to speed that up, the entire process?

Shannon Scutari: That was my understanding, because he was also focusing on a potential 2008 approach as well, similar to what Felipe was talking about with a higher level of understanding of needs.

Chairman Schorr: I got the understanding from listening to him, and perhaps I got a misimpression, that they could be reconciled to a 2009 election, but even with a 2009 election we are getting too close between the time of completion of what we need to do, what the State needs to do and the election date. Thus we would not be able to make a 2009.

Shannon Scutari: I wish Marty was here, but he and I are always talking about this issue. The schedule is to accommodate a potential 2009 election as far as the 20 year needs. It really does. If that was where Marty was thinking that we were running too tight on that, I would respectfully disagree.

Felipe Zubia: I do not want to speak for Marty, but if I understood him correctly, he thinks the purple stuff needs to be done and moved into 2008 in order to go to election in 2008. Whether it happens in 2008 or 2009 I am not taking a position on. What I am saying is that the purple part does not necessarily have to be moved up to 2008 to go to election in 2008. Really that gray area needs to be done in 2008 in order to go to an election in 2008, if you embody all of the staple centers. Then the purple still comes at a later date.

Joe Lane: I still worry about this election. I have watched a million elections go down because we get in a hurry; we don't explain things to people. In a lot of cases here, you have to try to balance the time it takes to educate the public, because the public, on their own, won't study this issue. You have to educate them as they go along. If you cram the 2008 election. If these guys have \$2 billion dollars in deficits to take care of and have all kinds of things to think about

besides and election on this particular deal here. I don't think it is possible to do a 2008 election, 2009 maybe. But again, in an off year you do not get a turnout. It depends on who is on which side, what kind of opposition you have. Many times it is foolish to have an election if you don't get a good turnout, because 2 – 3 people dominate the whole thing. This is a tough political situation.

Shannon Scutari: There are challenges obviously with every date at this point. It is really a constitutional amendment requirement to go to an election in 2009. That is another high bar to reach. The only way to have a special election in an off year in Arizona is to amend the constitution. You cannot do an initiative in 2009 so you have to rely in the legislature for the referendum. There are many challenges. The timing challenge is 2008 and not having a plan, as far as what you were talking about earlier Mr. Schorr that goes with that model that we worked on with the regional transportation plan, and you followed with the Regional Transit Authority down in Pima County. There certainly are a lot of challenges with all of these different dates. One of the things that we have worked on with Marty and others in the TIME Coalition and in the business community is that for any of this to go in 2008 or 2009, the leadership has to come from a whole host of others in elected positions. He was obviously very passionate and spoke very strongly about that. If as what we see as Armageddon for our State being the lack of transportation infrastructure, then the lack of political leadership on this issue led to that. We know we cannot fund the infrastructure; we cannot make the changes in the types of transportation modes to look into the future and to be innovative without a funding package that provides more than what we have right now. It is a legislative issue. It is an Executive issue. It is a business community issue and we have over and over again said to Marty and others, this needs to be the number one priority for the business community. It absolutely needs to be the one priority for the business community and that will probably be the only way that the legislature will take this up. There is no hope for them to take it up unless the business community puts it as their number one priority.

ROLE OF THE BOARD IN MOVING THE STATEWIDE TRANSPORTATION PLANNING PROCESS

Chairman Schorr: The next agenda item is the role of the Board moving our planning process forward and identifying strategic objectives. We have said five, but if we have four or six, that would be okay too. Joe, what would be your idea of objectives that we should be listing? About anything that we have discussed today which is what are we doing to move the statewide transportation planning process forward? I think everything that we have covered today would be subject for that type of resolution.

Joe Lane: I think the idea of having study sessions is always a good idea. In fact, it is hard for you who do not live here to come here. I think these kinds of sessions are very productive. This is the kind of thing that we can tie in with regular Board meetings so that you can do this one day and something else the next day. What I would do is take what we did today and break it out by segments, financing for example. Have a study session just on financing. Felipe's questions about financing were very good. Rank the various financing methods you could use, which ones you want to use and which ones you think are best. Spend half a day or a whole day just studying that one particular issue. Next month have a study session and get into some of the political issues like, what are we going to do with at this election, what are we going to do at the next

election, and what is the right way to do it? Again, Felipe's committee is working with these other people on the basis to try to get these things done, so we could study that. That is my suggestion.

Chairman Schorr: To summarize, we had thought in our informal discussions that we would have these retreats and study sessions annually, and you are suggesting that we do it a lot more often. You are saying monthly, but I assume you would be okay with every quarter or every three months or so?

Joe Lane: Yes, whatever you can afford. Many of your members, Bill who is not here, cannot always be here at the same time, so sometimes it is not productive to have that. But you could poll your members to find out who could be there and who won't.

Chairman Schorr: One of our objectives then is to have these sessions on a regular recurring basis, perhaps every three months or so, or six months as we may decide.

Bob Montoya: I would like to say the laws or legislation is antiquated or not effective for today's times. I would like these to be identified and I would like to see us make an effort to implementing those. I am addressing the fact that we need to work with the legislature from that standpoint. From the sessions, we have all heard people say that we can't keep taking from this pot and putting it in this pot. We have to start figuring out how to generate revenue or how to become more business like. That environment does not exist. So we have to figure out how to create that environment. I think there are a lot of legislative laws that need to be amended or changed. That is a hard task, but are we going to challenge that task.

Chairman Schorr: I guess another way of putting it is, could we compose a David Letterman Top 10 List of laws that we would like to see either modified, changed, or otherwise dealt with. Is that accurately summarized? Felipe, your turn.

Felipe Zubia: Given all the things I had comments on today, this is probably going to seem a bit out of context. I think everyone has a good grasp on what the issues are today. One of the things that I really think we are on the cusp of now that will be a huge issue in 5 – 10 years or maybe even sooner, but if we are not careful, if we are not monitoring and watching now, we are going to run into the same problem we are having today with trying to get transportation funding. That one issue in my mind is environmental. We didn't spend a lot of time on that today, but I do think it is an issue that is worthy of a full work session. It is worthy of us developing some sort of goal or objective for the Board who directs staff to look at all of the environmental issues, how that affects us with regard to funding, with regard to construction, rebuilding, leads, whatever the case may be, and really being on the cutting edge here as a department. I know that ADOT has done a lot of that, but coming more to a policy objective if you will from this point forward.

Chairman Schorr: We might include that as a separate item to be considered at one of these retreat/study sessions. You're right. It is coming.

Felipe Zubia: I think Victor made the comment, whether you believe it or don't believe it, it is done. That is what the public wants in their mind to be addressed. So we will be affected by it whether it is through funding or EPA restrictions on how we construct things. There is a whole host of things that could be affected by this.

Bobbie Lundstrom: My concern is that we are looking 20 years into the future. Is that long enough? Because by the time that we have all of these processes approved, funded, and other things. To me it seems that we are going to be behind the eight-ball. I don't know where 20 years out is really the right timeframe. Look at how fast our years are going. People are flooding our State. Is 20 years really the ideal time to be projecting out? I think maybe we should project out a longer period of time, so that when we are really completed we are still ahead of the growth. I feel that by the time we complete our years we are already behind schedule. I am just wondering if we should reevaluate the timeframe that we are looking to move AZ forward.

Victor Mendez: Mr. Chairman, I would like to comment on that. I probably did not make it clear. We are looking at two timeframes. We are looking at the year 2030 and then beyond. I like to say beyond because it is really through the year 2050, but when we go out and talk to the public and say the year 2050, it is not meaningful. But we are looking at those two timeframes, through 2030. I am making an assumption that our needs are going to be so great that we probably will not be able to fund even part of that, so a lot of that is actually going to spill over into beyond 2030, but then we are doing planning for the year 2050. It is all going to pile up in the end. There is going to be a lot of demand that we simply will not be able to meet because costs will be so high.

Chairman Schorr: There is also the uncertainty. You can only plan so much. You've heard the expression, "Man plans, God laughs". You need to understand that there is only so much that we can plan for. The one thing we know for certain is that no matter what we plan in 10, 15, or 20 years from now may be an entirely different ball game. So we not only have to plan for the future but plan to keep on looking at what is going on and never become oblivious to what is going on because things keep changing.

Bobbie Lundstrom: Also the rural areas. I know at the border we are growing by leaps and bounds. With all of these cuts in revenues, we are going to have major issues. We already do have them without the cuts. That is another issue.

Delbert Householder: The whole thing is about money. I liked Marty's presentation. I know if we leave it up to the legislature to do it on their own, they are not going to do it. The supervisors are not going to want to do it. There is some way that we have to put pressure on them and make them. I heard someone say it is unrealistic to get it in for 2008, but maybe we ought to still work for that and keep working at it and maybe will get it in 2009. I agree with Joe, there is not another election going on so we will not get the turnout, but we have to start somewhere to get it started. I think that is the biggest issue.

Another thing, the development impact fees. We are putting a roundabout in Safford on Highway 70. We are making the developer pay for every bit of that cost on that roundabout. He wants it and he is going to pay for it. I think that is what we have to go for. Eloy, the TI on I-10 on 87,

they came to my house, Felipe sent them up there because that is my district, and we had a good discussion. They wanted to change it, and I said you need to go see Dale and visit with him, and I gave them his name and number. I said if it meets safety standards and if you want to give us the right of way, then maybe that will help. After talking with them for awhile, they were not against giving the right of way. I worked for the County for many years and we were a poor county until we got HURF monies and now they stole it all. The HURF monies before that, we said we could give the right of way to the county; we can go in there and pave the roads. We got a lot of paving taken care of because we didn't have to pay for right of ways. You know what right of ways cost. We need to talk to the planning and zoning people within the counties. They can get lots of right of ways free for us from the builders and such. We say this is what we want and this is what you are going to give up. If they are going to develop they have to give it up. That is the way to cut a lot of expense and get a lot more done.

Chairman Schorr: I will just add a few things if I may. Number one, I think the subject we seem to have given the most attention today were the framework studies. I think we have to be constantly looking at these for the next few months. I think the Board is very fortunate that Felipe is heading that sub-committee and keeping us informed on it. It is hard work, but it is probably the most eminent issue that we are dealing with today. I think we also need to continue to look at and study the new or additional financing mechanisms that may be available that touch many of our concerns. The summary that John the consultant gave us with respect to that was valuable. We need to continue to look at that.

Also as an object, we should continue to look at the alternative transportation systems and modes. Things are going to continue to change. We have to be aware of what the State-of-the-art is, and what the best practices are. I think we are doing a pretty good job of it. We can never do a good enough job, because it will continue to change and tax us all. Just remember, those of us who are out of it for awhile, things may be in a recession or a semi-recession, or whatever Washington wants to call it today. Things probably will change and will change for the better and will be good for a bunch of years. Then they will not be good for a number of other years. We are in a cycle. We should take advantage of the cycle to do the best planning that we can. This probably gives us the opportunity to catch our breath and take a look at things. Any further questions on that?

Bobbie Lundstrom: I would like to take a look at those inland ports. I would like to add that. It is a very interesting concept. If we could partner with southern California that might be something that would be very beneficial given that we have a huge port of entry.


Chairman Schorr: The next item is our call to the audience. We have had one gentleman who has been sitting very patiently for a number of hours. Robert McClure.

Robert McClure: I came to deliver a rant about toll roads, especially about private toll roads after I found out about Senator Harper's Senate Bill 1042 which basically would require, not permit, ADOT to contract with a private party to build a toll road between Phoenix and Prescott. However, after listening to the comments of the people today, I have decided that that would be preaching to the converted, so I will skip most of this and let you read what I had to say here. What I would really like to ask is that you use whatever influence you can with the legislature to

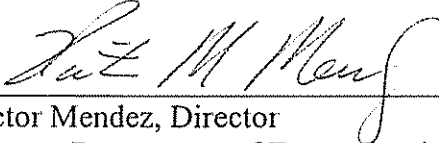
kill this ridiculous bill. 1042 is beyond fail. With that I will let you read what I have had to say and thank you very much for letting me speak. Could we possibly get posted on the website the other materials that people have been handing out today? I would like to see them.

Chairman Schorr: Motion for adjournment

The meeting adjourned at 4:20 P.M.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation

MINUTES
STATE TRANSPORTATION BOARD MEETING
9:00 a.m., Friday, February 15, 2008
Arizona Department of Transportation (ADOT)
Auditorium
206 S. 17th Ave.
Phoenix, AZ 85007

The State Transportation Board met in official session for a Board meeting at 9:04 A.M., Friday, February 15, 2008, with Chairman Si Schorr presiding. Other Board members present included: Victor Flores (confirmed appointee), Delbert Householder, Joe Lane, Bobbie Lundstrom, Felipe Zubia, and Bob Montoya. Also present were Victor Mendez, Sam Elters, Dale Buskirk, Matt Carpenter, John McGee, Eileen Colleran, Lynn Sugiyama, Don Mauller, Barclay Dick, Kwi-Sung Kang, Arnold Burnham, and John Schlosser.

PLEDGE

The Pledge of Allegiance to the flag led by Si Schorr.

OPENING REMARKS

Opening remarks by Chairman Si Schorr. Jim Creedon former member of ADOT, presented Joe Lane, retired from the Board, with an award of two Luke Air Force baseball caps for his integrity, patriotism, and loyal to the State of Arizona, family, and country. One is a U.S. Army Distinguished Service cap. The other is an Air Force Distinguished Service cap.

Remarks by Chairman Si Schorr acknowledging Joe Lane's contributions to the State of Arizona.

DISTRICT ENGINEER'S REPORT

Tim Wolfe, District Engineer of the Phoenix Maintenance District briefed the group on the four key areas of the Phoenix Maintenance District: Roadway and Drainage; Litter Landscape and Sweeping; Electrical Operations; and Traffic Engineering.

We have four structurally deficient bridges right now in the Phoenix District. All four of those bridges are being analyzed and we are looking at repairs or replacement of all four of those. None of them are serious enough that they constitute immediate dangers to the public, but they do need some repairs.

Cable barriers in the medians have been a big issue. We spend over \$2 M a year to maintain them. We have many cable hits and have gone in to retrofit a number of them. Our first project was recently completed on the 101 and we will be doing that throughout the Valley to improve safety on our freeways. With the rains recently, drainage has been a big issue. We are dealing with some erosion, patching, repairing, and permanently fixing the erosion so that we do not have continued problems in those areas. In Phoenix we have done a good job of cleaning out the canals here. Sedimentation gets in them and then we get vegetation. We have pretty well cleaned out all of our channels. With the rains, of course flows have been pretty high in some of those channels.

Incident Management is an ongoing issue for our Maintenance Department, as traffic continues to increase and the freeways get busier. Our crews spend more time responding to incidents, so we have an entire team that we use for that. In addition, special events are a big issue. Recently we staffed a joint operations center for the Super Bowl in downtown Phoenix. It went very well. I think the public was pleased with the transportation aspect of the Super Bowl. We have regional alert teams and work in cooperation with the Department of Public Safety. They have safety patrol teams and jointly we respond to incidents. That is through the State Highways program and is a very successful program.

In the last couple of years we have spent a lot of money on litter, landscape, and sweeping. I am pleased to say that the public is very satisfied with that program. We have received many compliments on landscape, litter pick-up, graffiti removal, and sweeping. All of these have been big issues that prior to the last couple of years we just did not have the funding or resources to maintain those, so we are pleased by that. A big challenge for us now is graffiti. More and more, the youth are tagging our locations. We put out a contract which closed yesterday and hope to select a vendor quickly that will have the role of traveling all over the Valley and immediately eliminating graffiti. When our landscape and maintenance crews do it, it becomes a secondary duty for them. Trash is an ongoing issue. We pick up roughly 13,000 bags of trash monthly. MAG is also advertising a litter reduction program. The results of the RTP program to date for litter, landscape, and sweeping have been terrific. The number of complains in the Valley has gone down so the funding has been well spent.

Electrical operations. We maintain over 170 traffic signals in the Valley. We work closely with the cities and counties on maintaining progression through the streets. The tunnel in downtown Phoenix is part of our maintenance program. With almost 300,000 vehicles a day going through the tunnel, it is a significant effort to maintain that. Recently four of our fans that blow fresh air into the tunnel and remove fumes, were removed from the tunnel and shipped to Ohio to be rebuilt. Hopefully, within the next couple of weeks those fans will be operational again and we ship the other four to be rebuilt. It is a 25 year-old facility that has ongoing maintenance challenges.

Copper theft has been a problem in electrical operations; severe in August 2007. It has reduced slightly due to new laws in place, which may have reduced the number of people that risk stealing copper. We are now seeing sophisticated thieves that are pulling out copper without pulling out the fiber and stealing our copper without setting off our alarms in our pole boxes. We are working with law enforcement and also private investigators to try to address those issues. It is about a \$1/2 M dollar a year challenge for us; few funds are recovered. \$100 – \$200 worth of copper costs the State \$1,000 to replace.

Traffic engineering has been working with recent issues of photo enforcement. Our first section on the 101 will be removed due to construction and then will be replaced. As far as our resources within the District, we have 215 positions total and 23 wards that cover all of those activities. The State funds \$31 M per year and RTP funds provided a lot of money per year. We have a very small construction program for a few supplemental projects that contribute \$2 M per year. In terms of resources, the RTP funds in the last few years have made a dramatic improvement in terms of what we have available and what we can accomplish.

CONSENT AGENDA

Director's Report – Victor Mendez

We had a good retreat yesterday and I did want to comment on that as one of my topics. I thought it was very beneficial and I walked away with many action items. We had a good discussion involving many issues around the State. We will report on that and develop some kind of a priority of the items that we identified during the meeting.

The only other thing I did want to mention is that you will notice that Richard Travis is not here today. His grandfather passed away yesterday morning. He went to take care of family matters.

Legislative Report – Eileen Colleran

We had a lengthy discussion yesterday about some of the legislative activity. On the Federal level, the President's budget proposal for fiscal year 2009 was released a couple of weeks ago. It falls short of the authorized levels under SAFETEA-LU by \$1.8 billion in highway funding, \$200 million in transit and \$300 million in aviation funds. They have also recommended that any shortfall in the Highway Trust Fund be made up by borrowing from the Mass Transit Account.

Mr. Feldmeier who is not here today, had asked that we continue to follow up on Complete Streets which is a Federal concept on how we design new roadways. We talked about that at the last meeting and I just wanted to update you on that. ADOT does use contract sensitive solutions where possible, but the only program we have that would cover some of the concepts under Complete Streets is transportation enhancement, so if we were required to do that on all of the major arterials and freeways, that could have an impact on ADOT and the MPOs and COGs. However, that language for Complete Streets has been introduced into Congress over the past 10 years. So far it has never passed other than the sense of Congress that came out in HR 6 (Energy Bill). We will continue to follow those and let you know if anything happens.

On the State side, in addition to the bills that we talked about at the last meeting, there are some new bills out there. There are a couple of bills on civil air patrol, one requiring local airports to provide hangar space, and the other requiring the Transportation Board and ADOT to consider whether a local airport has provided hangar space when locals make grant application requests. We talked a lot yesterday about public/private partnerships. There are at least 8 different bills out there and still as I understand one to come. A number of those will be heard in Senate Transportation on Tuesday. There are a couple of bills that deal with the Transportation Board. One that we have seen over the past five years to add a tribal representative. The other one expands the Transportation Board from the current six districts to 10 districts which includes Coconino, Pinal, Yavapai, and Yuma as new districts. There are two bills out continuing ADOT after our Sunset Review. One of them is for five years and one is for 10 years. The one for five years was sponsored by Senator Gould and his comment was not that he had a concern about ADOT but the fact that he doesn't know who would be here in five years. That would be very expensive for the Department to undertake that kind of audit on a five year basis.

There is also a bill out on Logo Sign Programs. That one was recently amended to allow revenue sharing. Logo Sign Program started out adding 24-hour pharmacies to list the types of people that could be on the Logo Signs. Currently it is restaurants, gas stations, and hotels. There is one

on the State Aviation Fund which will allow awards of up to 15% to any one airport and right now it is at 10%.

Financial Report – John McGee

John McGee provided in the packet January result for the Highway User Revenue Fund. The news continues to be grim. Collections for the month totaled \$109.1 M. That was 9.5% below last year and also 9.9% below forecast. Last year in January we actually had about two months' worth of revenue in apportioned fees that came in. Last year the number in January was overstated by about \$6 M over what otherwise should have been split for January and February, but was not because of timing of when it came in. The -9.5% that changed from last year is probably overstated somewhat. Hopefully we will make some of that up next month. Year-to-date collections now stand at \$776.5 M which is 1.3% below last year and 4.6% below the forecast. Every category currently is below last year with the exception of the Vehicle License Tax which has pretty much flat, up 2/10%, and the other category which is up about 17%. The major reason for the growth in the other category is that we have seen a pickup in Incoming Fees. We are running about \$300 M ahead of last year and Use Fuel Permits and Oversized Permits are doing better than we had anticipated. Other than that, every other category is running below forecast.

On the RARF side, same thing. December collections totaled \$1.4 M which was down 1.1% from last year and up 4.5% over the forecast. Year-to-date collections now stand at \$190.5 M which is down 3/10% from last year and 2.9% below forecast. Retail Sales and Contracting continue to show negative variances to last year reflecting the slow down in the housing market and the resultant spill-over effect to consumer purchasing.

Earnings Report for the month of January. Interest earnings totaled \$5.856 M representing an average investment of 4.34%. Year-to-date earnings now stand at \$35.7 M with an average yield of 4.69%. We do anticipate seeing significantly lower investment yields over the coming months as the Federal Reserve's actions continue to drive down short-term interest rates.

Finally, with respect to the HELP fund, the January balance stood at \$104.7 M. That is up about \$6 M over the last month which resulted in loan repayments of about \$5.5 M and interest earnings of about \$1/2 M.

Chairman Si Schorr: With the interest rate going downward, are we contemplating doing any refinancing?

John McGee: Mr. Chairman, we have looked at that. The problem with doing a refunding right now is that even though short-term interest rates are going down, long-term interest rates are actually going up. In order to do an effective refunding, you have a relatively flat yield rate. Otherwise you have negative arbitrage, low short-term rates and high long-term rates. We continue to monitor that.

Felipe Zubia: I have raised the issue before of the downward trend of the revenues. We are going on 6 – 7 months now of negative revenues. At what point do we start looking at the program? When do we start looking at what needs to occur to fund the projects?

John McGee: Mr. Chairman, Mr. Zubia, we are looking at that on a fairly regular basis. There are so many pieces in play right now, not just the revenue situation. As reported at the meeting yesterday, the problem is in the general fund, we are not sure what impacts that might have on our funding. We also don't know what some of the other funds might be of concern to our State Highway Funds. We are on a regular basis running various what-if scenarios to look at whether or not we have the capacity and whether or not it makes sense to try to make up some of these revenue short-falls and some of the potential DPS diversions that might happen with additional bonding or whether it makes more sense to look at deferring projects. I know that the presentation on a tentative program that will be given later in the meeting today will tie in there. Given what is going on, we have two choices or some combination of those. I suspect it may still be several weeks, maybe a couple of months. Unfortunately, it may be down to the point that the Board has to approve private funding before some of these things start to sort themselves out. We are looking at various alternatives on a regular basis.

Felipe Zubia: When you look at your warning scenarios, how far out do you look? One year, two years, five years?

John McGee: When we do those scenarios, it depends upon specifically what we are looking at. For example, how a particular issue might impact this year's cash balances for example, then we are looking at this year. But in terms of what I believe your original question was, we are looking at this all the way out to five years. As I expressed at the last Board Meeting, the fact that our HURF revenues are flattening out this year, right now we are using for a working estimate, last year's revenue collection. Because of that and because of the nature of HURF revenues and the fact that historically they have not grown, the fact that we may have one year of flat growth is going to have a cascading effect on the entire project. If we are down \$50 M this year, that probably translates into \$250M under where we were before. Unfortunately, as our revenues come down, that also impacts our bonding capacity. The bonding capacity is driven by coverages, and coverages are driven by revenues. We have to look at all of that and weigh what makes sense in terms of recommending to the Board with respect to either doing some additional funding or bonding projects.

Felipe Zubia: I know we are in the middle of a five year plan now. I think immediately after that, come July, I would like to report back on what is going on with that downward trend and how it is going to effect five years out so we can start looking at it early before we get into the middle of five year projects, and if there is anything that we need to start considering as far as project finance.

Victor Mendez: It probably would be good at some point in the near future to have a quick session on the process that leads to the forecast. That process should be intensive. We need to bring in COGs from our area sectors and look at the future. The other thing I wanted to point out is that we have flattening revenues and some of the other issues. Keep in mind we have had a lot of inflation with respect to our materials costs. We will follow-up with a session and give you a briefing on the process and give general recommendations.

Financing Program

John McGee presented a Resolution directing Staff, our financial advisor, and Fund Council to take all actions necessary precedent to the Board's proposed issuance of a Highways Revenue Bond. As you are aware, the Board's current five-year capital plans for highways anticipated a fiscal year 2008 HURF issuance of approximately \$305 M; however, given the things we have discussed, we will be looking at whether that amount should be adjusted one way or another and that would be reflected in the Resolution that we will bring to the Board. Right now the prospect of doing a refunding does not look positive. We will continue to monitor that and ensure that we have the capability of doing a refunding in conjunction with this issuance should interest rates allow that. We recommend approval of the Resolution.

Board Action: Motion to approve the above recommendation was made by Chairman Si Schorr, seconded, and was approved unanimously.

The Aeronautics' Loan Committee Recommendation.

Barclay Dick stated that the Williams Gateway Airport Authority has asked Staff to recommend that this item be tabled. The Staff recommends that this item be tabled.

Motion to Table: Chairman Si Schorr: I understand that there is a legal dispute as to certain elements of this proposed loan. That being the case, I would ask that the Board consider an action to continue this matter to the next meeting of the Board at which time we would request that the matter be put to Executive Session at which we could receive the recommendations of the Attorney General's Office. In the interim, I would ask that the Attorney General's Office also furnish us with a legal opinion so that we can digest it before the next meeting.

Chairman Schorr motioned to Table; Delbert Householder moved to second. This item will be tabled until the next meeting.

Resolution of the Chairman and Committee of the Arizona State Transportation Board #2008-2. Supporting Federal Funding for the Mariposa Port of Entry reconfiguration project in fiscal year 2009.

Bobbie Lundstrom: It is important that we as a Board support this. The Dallas Port of Entry is the largest importer of winter vegetables for the country. We have a lot of congestion and it is essential that we do move because it affects our economy as a whole. The volume of business that comes through that port, about 1,500 trucks that cross the border daily with fresh produce, and this budget deficit, would clearly be a travesty to us at the border. I would like to see that we would send a letter in support of this issue.

Chairman Si Schorr: What the Board has before us is a Resolution that is addressed to the General Services Administration which is responsible for the tearing out of this construction. Apparently the item has been deleted at the last moment. The Board is asking that the General Services Administration and the Representatives in Congress give it funds and reinstitute this construction project.

Dale Buskirk: Background comments. We have worked cooperatively with the General Services Administration to develop a redesign of the Mariposa Port of Entry. As Board member Lundstrom has indicated, this is the most important International Port of Entry for the State of Arizona. With the volume of business that is traversing that Port of Entry, redesigns is absolutely essential if that Port of Entry is to remain competitive. It had been assumed by everyone that the funding for the redesign project would be part of the FY 2009 appropriation in the President's budget. It was a surprise to everyone when it was not contained therein. Therefore, the Greater Nogales, Santa Cruz County Port Authority is seeking through political means to have that reestablished as part of the FY 2009 budget and to that end they have solicited the Board for a formal Resolution in support of their activities to have this particular item reinserted into the budget. Additionally, there are a number of other plans that hinge on the redesign of the Mariposa Port of Entry, namely an inner-connector connecting the Port of Entry and I-19. It is important that we meet the timing for the development of the project or some of the things that ADOT is doing and some of the reciprocal activities that are being done on the Mexican side of the border. For all of these reasons, Staff seconds the opinion of Board member Lundstrom's request that the Board pass this Resolution.

Victor Mendez: This Resolution will be utilized by all of us as we speak with our delegation and others with supporting documentation and support from the Board to make sure that it gets funded in the near future.

Chairman Si Schorr asks the Board to consider a motion to adopt this Resolution.

Board Action: Motion to approve by Mr. Lane, second by Ms. Lundstrom and awarded.

Consideration of items 10, 11, 12, 13, 14, 15, and 16.

Priority Planning Advisory Committee (PPAC)

Dale Buskirk: Agenda Item 10 is a presentation of the tentative Statewide Transportation Facilities Construction Program for the FY 2009 – 2013. Last month, Staff met with each of you individual to review the tentative program. We will be presenting that program to you today. There is one change in the PAG program and Don Mauller will explain that to you. With regard to the earlier discussion, this particular tentative program was predicated on an earlier revenue forecast provided to us in the amount of \$800M as was indicated in John McGee's financial report, there may not be that revenue available for programming and I think this is the point that I alerted each of you to as I met with you individually. We will make every effort to ensure that the program that we present to you for approval at your June meeting is as fiscally constrained as the available information at that time will permit us to be. As you well know, we are able to address program issues at your monthly meetings, so we will strive to make it financially constrained by June, but if there is new information after that point, we will have opportunities in July and August to make those changes. Don will present the Subprogram recommendations, the statewide recommendations, and PAG, and Kwi will present those for the MAG regions.

Don Mauller: The forecast received in September 2007 was based on economic assumptions from May. We know those are no longer holding up. The December HURF collections were only

1/10 of 1% over the prior year which was well below our forecasted amount for that time. The State budget is worse than we thought. It will impact funds in 2008 and 2009. Some of the assumptions that we made on the economy, the HURF collections are not meeting the forecast on the Federal side. The Federal Highway Trust Fund could be depleted as early as 2009. Current law prohibits that the balance from going negative, so there could be some corrections in that and we could see significant funding cuts on the Federal side. Some of the impacts to us are bonding. In the past we have accelerated bonding. Now with the revenues dropping, the revenue to debt ratio is being impacted negatively. We could be adding fewer new projects or we could leave some of the current projects out of the program, or we could do a combination of the two. Program approval just went to PPAC on January 30th and was approved to forward to the Board. Today we hope to get this approved for public hearings. After today we will have this on our website listed here. We will be handing out books at the public hearings. The first public hearing will be held in conjunction with the Board Meeting in Tucson on 3/21/08. Also, public hearings will be held in conjunction with the Board Meeting on 4/18/08 and in Flagstaff on 5/16/08. The package will be delivered to PPAC on 6/4/08, and if approved, will be brought back to the Board for final approval on 6/20/08.

Out of the direct allocations, we were forecasting \$700M this year. If these recommendations are approved, we would have approximately \$360M in subprograms. MAG would get \$193M for projects. PAG would get \$64.5M for major projects, and the 13 other counties would get about \$82.4M.

Some recommended subprogram increases: First are Statewide Planning and Research Funds. This is a State match to our Federal Funds. We have been following close on that. We are recommending an increase of \$100K in the first four years of the program that would bring it from \$300K to \$400K. In the fifth year we would be recommending a \$200K increase to bring it from \$300K to \$500K.

In our pavement preservation, we are recommending an increase in the fifth year from \$125M to \$135M. In our preventive pavement preservation, we are asking for an incremental increase. They currently receive \$7M per year. We are recommending in 2009 to increase that to \$8M and in 2010 to increase that to \$9M. In 2011 and 2012 to increase that to \$10M and to \$12M in the fifth year of the program which would be 2013.

Next is our Communication and Community Partnership (CCP) office. They currently receive \$1M per year and have requested additional funds. What we are recommending for this subprogram is to increase it \$1M a year in the first two years of the program to \$2M and in the third and fourth year of the program increase it \$2M to \$3M per year, and in the fifth year to increase it to \$4M per year.

Thirteen other county major projects. First is a Set-aside Fund on I-17, Black Canyon City to Cordes Junction. We do not have projects identified at this time for that area. We had a DCR that started in spring 2006. We expect that to be completed in 2008 and at that time we can start identifying projects. This is just Set-aside Funds. Last year we recommended and the Board approved \$9.5M in 2012 for that. We would look at programming Set-aside Funds again next year.

Next is on SR 89-A to Mile Post 324. This project was approved by the Board last year for \$15M in 2012. They need an additional \$10 M for that project so we are recommending an additional \$10M. This would complete 89-A, four lane divided from SR 89-A to Chino Valley.

Next project is Rattlesnake Wash on I-40. Rattlesnake Wash TI is to construct a new traffic interchange. We are recommending in FY 2013 \$18M. There is a local contribution to this not included in these funds with a 70/30 match with the City of Kingman. There was a letter of intent approved by the Board two years ago. Next cycle we were going to add an additional \$7.5M to this to complete all of the funding commitment for ADOT.

Next is on US-60 Superior Streets. This will complete US-60 from SR 79 to Superior. We have ongoing now construction to Gonzales Pass. The next section of that is the Silver King Section which is programmed in 2011 for \$15M. This will complete that segment through Superior and will be a four lane with a center turn lane in Superior.

Next project is on US 93. We have an implementation plan from Wikieup to I-40. After this project is approved and included in the program, we will have two more segments and then that will be completed.

We are also proposing for POC Subprograms. The first one is for a major project design for \$6M. This is for major projects that will be unidentified projects that will be brought into the program in future years. We are recommending \$3M for project and corridor studies. In passing lanes, we are recommending \$4M for construction of passing lanes and \$700K for design of passing lanes. For the PAG region, there was one change as Dale mentioned. When I get to that I will explain it.

First on I-10, Ruthrauff to Prince Roads. It is to construct road widening to eight lanes. Recommending \$3M in FY 2013. These projects were approved by the PAG Regional Council in their November meeting.

I-10, Marana TI to construct a frontage road. We are recommending \$6M in FY 2013.

I-10 Valencia Road TI. This is the design and widening of bridges. Last year the Board approved \$25M for this project. This will bring it to over \$40M for this interchange. This is a future planned extension of the Aviation Bravia Extension and the PAG Regional plan.

Next, I-10 at Country Club Road to construct a TI in FY 2013 for \$17.8 M.

Next is I-10, Lamont Road TI. This is to upgrade and existing traffic interchange. \$6M in FY 2013. Last year we programmed \$4M for that interchange.

This is the change, what we had presented to you earlier was an I-10 project. Orange Grove to Roof Rock. It was for \$9M. What the PAG Regional Counsel approved was this project, I-19, San Javier to Ajo Way. It was to construct roadway widening to six lanes for \$9M. Money had

previously been moved off this area to the I-10 Orange Grove, Roof Rock to start this design and this is a repayment of those funds.

Last is on SR 77, Tangerine Road to Pinal County line. It is to widen the roadway to six lanes in FY 2013 for \$12.6 M.

Felipe Zubia: I think it is a foregone conclusion that our budget is going to be affected; at least our funds are going to be effected due to trying to balance the budget. As I recall in my first year, we had gotten a payback of funds of nearly \$30M because of a similar budget balancing issue in previous years. Is there anything that we can do as a partner or as a Board to have some sort of arrangement like that in the future?

Victor Mendez: You may recall that they reallocated \$118M from BLT. There is an understanding that should there be an opportunity in the State budgeting process and negotiations to bring some of that money back, they would. In fact, the Governor told me that personally. As it worked out, they actually allocated back to us \$370M. We will have those discussions. It is a much bigger issue than the Transportation Budget.

Chairman Si Schorr: No actions to be taken today.

Kwi-Sung Kang gave a presentation on MAG tentative five-year program.

My presentation has two parts. First I will address proposed FY 2013 projects in MAG region. The second part contains proposed program modifications to the current five-year program.

FY 2013 Projects, these projects were developed in conjunction with MAG and they are as follows:

1. On I-17 between Arizona Grand and Loop 101, construct six miles of a general purpose lane.
2. I-10 between Baseline and Santan Freeway, design of six miles of general purpose lane.
3. I-10 West at Perryville Road constructs a TI.
4. US 60, Grand Avenue program \$8.1M for design of roadway improvements.
5. US-60, Superstition at Meridian Road construct a TI.
6. Pima Freeway between I-17 and Tatum Blvd, we will construct seven miles of HOV lanes. This project will complete HOV lanes on Pima and Price Freeway.
7. Pima Freeway between Shea and Red Mountain Freeway, design of 11 miles of a general purpose lane.
8. Red Mountain between Loop 101 and Gilbert Road, design six miles of general purpose lane.
9. Santan Freeway between Dobson Rd. and I-10, we will construct six miles of HOV lane and also HOV to HOV connector at I-10 and Santan Freeway.
10. Continuation of program on South Mountain, construct a new freeway, we have programmed \$115 M.
11. SR 801, we have programmed \$10 M for right of way purchases.
12. We programmed over \$265 M for construction of new freeway on Loop 303.

The second part of my presentation shows proposed program modifications to the current five-year program. Currently we have about 13 major studies underway and 20 major design projects underway for our freeway program based on latest cost information. We are updating the cost of for 23 projects. We added the five new projects to this program during this update:

1. The first one is a privately funded project on I-10 at 395th Avenue near Tonopah. This project needed to be a prior program in order to receive clearance from FHWA. It will be about \$20M including design and construction.
2. We added our landscape construction project on I-10.
3. We added a new design project on South Mountain Freeway.
4. We also added an HOV site for the remaining of our Regional Freeway system, mainly on Loop 101 and Loop 202.
5. We had advanced a project through HELP loan. In order to operate the overall process, this project needed to be advanced through the five-year program.
6. We deferred three construction project schedules to align with the design schedule.
7. We deferred three design projects to align with the current study schedule.
8. We deferred a drainage improvement project on I-17 between Peoria Avenue and Greenway Road.
9. We break out utility and design projects from construction projects.
10. Repackaged FMS projects on the Pima Freeway; smaller projects were merged into one project.

The total cost increase is \$142M. The program includes \$20M of private funds on I-10 and our net RTP cost increases is \$122M, our cash flow can accommodate these cost increases and MAG is in concurrence with these program changes. We have \$3.56 billion program for the next five years in MAG Region. This concludes my presentation.

Mike Kline, Aviation (ADOT)

Aeronautics Division is primarily paid for by revenues from the State Aviation Fund. In 2007, the Fund was generally comprised of Flight Property Taxes; over half of the fund came from Flight Property Taxes. No funds came from the General Fund. It was entirely aviation generated revenues. Interest on those funds at 5%, therefore repayment loans at 6%. The Grand Canyon Airport contributed 4%. Aviation Fuel and Registration constituted the next largest bundle of this pie. Revenue for 2007 was approximately \$23M. That is the basis of the funding for the programs that we will be proposing. Our estimates for the 2008 fund begin at about \$34M. The revenues that we anticipate getting throughout the remainder of this fiscal year will be about \$26M, with \$48M expended between grants, loans, and Aviation Fund reductions. The loan is for one that has been on the agenda and tabled. We had programmed it in anticipation of making the loan. The fund reduction is what we are looking at to help balance the budgets this year in the General Fund. That has been incorporated into our estimates for this current fiscal year giving us a funding balance of \$12M. That is what we are targeting to begin our program for 2009 – 2013.

93 public use airports are in the State and they are asked every year to submit to us programs that they desire to be funded both with Federal dollars and with State dollars. The Federal dollars is a wish list. They are not pass-through dollars. This is what we anticipate the Feds being asked for by each sponsor. If the sponsor is successful, we will fund half of their local share of the Federal

grant which currently is about 2.5% of the project cost. That is part of our funding package. This year, 66 airports submitted 964 projects. That is for the entire five-year program. Of those 964 projects, 563 will be federally funded packages, 277 of those are State and local funding only. For the year 2009, 76 projects for \$42M were considered through the Board's priority process. Twenty-eight are proposed to be funded for approximately \$20M. That is in the first year of the five-year program. That would be \$20M for state/local grants. We allocate \$4.5M for matching Federal grants. It is \$4.5M because the authorization in Congress may be heard back to the original funding cycle which was 9.106%. Half of that balance is about 4.5%. It had been 2.5%. If we are confident that it is going to stay at 2.5%, this would be a smaller number. We are anticipating funding of a larger portion, \$20M for State grants. Pavement Preservation Program is a large reduction at \$450K and this is purely engineering and design work that we are doing in-house. We were not able to get contracts procured for this fiscal year. We finished all of the Pavement Preservation Projects last summer and because of the funding issues at the State level, the Pavement Preservation Program will not be funded other than this design work for 2008 and 2009. Airport development loans are being reduced to about \$1M. This is a balancing effort to try to get through this reduction that we are experiencing in the State budget.

State Planning Services, we have just begun Statewide Airport Systems Planning, a \$1.3M project and we have \$500K in a Federal Grant to fund that program. This first year that would be considered Board actions through public hearings for \$27M. This is the balance of the five years, same programs and in funding, to stay at \$27M and try to remain at a relatively consistent level. It is in the ATMS and the loan program where we are trying to make the reductions and to continue balancing the fund programs each year until we can recover from the sweep. Each of these years is applied to our fund balances. We will begin 2009 with \$12M dollars with anticipated revenues and expenditures leave us with balances of \$13M to as low as \$8.5M in the out years. We can manage the fund at these levels. We can actually increase the program as we have shown in some of the out years, but this is the program that we are proposing for the State's Aeronautics Program.

Dale Buskirk: The Staff recommends that the Board approve the tentative program for FY 2009 – 2012 as presented to you today for presentation to the public in formal public hearings.

Board Action: Chairman Si Schorr motioned to that effect. Seconded by Delbert Householder. All were in favor, so awarded by the board.

Dale Buskirk: The Priority Planning Advisory Committee has scrutinized the requested changes to the existing five-year construction program as detailed in the agenda items 11, 12, 13, 14, and 15. The Priority Planning Advisory Committee has reviewed these from a technical prospective as well as the financial prospective and recommends that the Board approve all four changes detailed under Agenda Items 11, 12, 13, 14, and 15

Board Action: Chairman Si Schorr asked for motion to approve Items 11, 12, 13, 14, and 15. Moved by Mr. Lane, second by Mr. Montoya. All were in favor, so awarded.

Barclay Dick: Item 16 is a draft for Glendale Municipal Airport to make improvements to their aircraft and control towers and to install navigational aids. Approval of this Federal Matching Grant would leave a balance of \$3.9M in our Matching Grants Set Aside Fund. Staff recommends approval of Agenda Item 16.

Board Action: Chairman Si Schorr asked for motion to approve Item 16. Moved by Mr. Montoya, second by Ms. Lundstrom. All were in favor, so awarded.

State Engineer's Report

Sam Elters reported over 90 projects under construction for a total of a little over \$1.1 billion. In the month of January, five projects were completed for approximately \$30M. Fiscal year-to-date 61 projects have been finalized. On today's agenda, we have six projects. The trend that we have seen in the last six months or so has continued. The low bids are coming in below the State expectations. I will be discussing four of those with you specifically starting with the first project.

Star Retrofit Project

Item 23.	BIDS OPENED:	January 18.
	HIGHWAY:	Cordes Junction-Flagstaff Highway (I-17)
	COUNTY:	Yavapai
	LOW BIDDER:	Bison Contracting Co., Inc.
	AMOUNT:	\$295,412.00
	% UNDER:	19%
	NO. BIDDERS:	12

Review of the bid tab analysis, it is clear that we are benefiting from lower material prices and competitive market. With that in mind, I recommend award.

Chairman Si Schorr will recuse himself from Items 23, 24, and 27. Therefore if we are going to consider Item 23, he asks Vice-Chairman Householder to take over.

Board Action: Mr. Householder asks for a motion to award. Motion made by Bob Montoya, seconded by Joe Lane. All were in favor, so awarded.

Ash Corridor, constructing new roadway

Item 24	BIDS OPENED:	January 18.
	HIGHWAY:	Yuma Area Service Highway (SR 195)
	COUNTY:	Yuma
	LOW BIDDER:	Fisher Sand & Gravel Co., DBA Southwest Asphalt Paving
	AMOUNT:	\$15,563,535.05
	% UNDER:	16%
	NO. BIDDERS:	7

In review of the bid tabs analysis and the explosives material source which helped dramatically in the unit bid cost, I do believe this is a competitive bid and recommend it.

Board Action: Mr. Householder asks for a motion to award. Ms. Lundstrom made a motion. Seconded by Mr. Lane. All were in favor, so awarded.

Item 25	BIDS OPENED:	January 18.
	HIGHWAY:	City of Peoria
	COUNTY:	Maricopa
	LOW BIDDER:	Rummel Construction, Inc.
	AMOUNT:	\$1,350,069.75
	% UNDER:	26%
	NO. BIDDERS:	10

We also have a letter from the City of Peoria conferring and with that in mind, I recommend award.

Board Action: Mr. Householder asks for a motion to award. Mr. Montoya made a motion. Seconded by Mr. Lane. All were in favor, so awarded.

Traffic Signal Project

Item 27	BIDS OPENED:	January 25
	HIGHWAY:	San Luis – Yuma – Quartzsite Highway City of Somerton US 95
	COUNTY:	Yuma
	LOW BIDDER:	Combs Construction Company, Inc.
	AMOUNT:	\$523,948.10
	% UNDER:	26%
	NO. BIDDERS:	8

One of the main reasons on this as we saw in the bid tab analysis, the contractor is already in the area. This is a competitive bid and I recommend award.

Board Action: Mr. Householder asks for a motion to award. Mr. Lane made a motion. Seconded by Ms. Lundstrom. All were in favor, so awarded.

Item 28 was removed from the agenda as of 2/14/08.

COMMENTS AND SUGGESTIONS

None.

CONSENT AGENDA

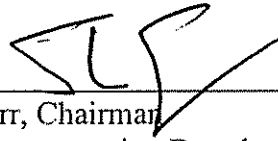
No items brought forth. Call for motion to accept. Ms. Lundstrom made a motion to accept, seconded by Mr. Zubia. Agenda approved.

CALL TO THE AUDIENCE

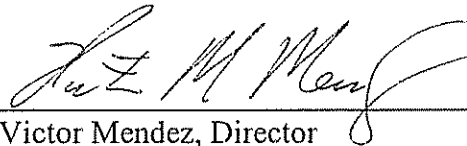
Jack Kramer, City Manager, Kingman. Thanked the Board for their consideration of the planning of the Rattlesnake Wash.

MOTION TO ADJOURN

Moved by Vice-Chairman Householder, seconded by Chairman Si Schorr. Meeting adjourned at 10:45 a.m.

A handwritten signature in black ink, appearing to be 'Si Schorr', written over a horizontal line.

Si Schorr, Chairman
State Transportation Board

A handwritten signature in black ink, appearing to be 'Victor Mendez', written over a horizontal line.

Victor Mendez, Director
Arizona Department of Transportation